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Board Meeting: 2/7-8/2007  
Austin, Texas

	<b>Board/Committee Meetings</b>
<b><u>Wednesday, February 7, 2007</u></b>	
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Facilities Planning and Construction Committee.....	10:30-11:30 a.m.
Health Affairs Committee.....	11:30-12:30 p.m.
Lunch.....	12:30-1:00 p.m.
Finance and Planning Committee.....	1:00-2:00 p.m.
Joint Meeting Audit and Finance Committees.....	2:00-2:20 p.m.
Audit, Compliance, and Management Review Committee..	2:20-3:10 p.m.
A. CONVENE THE BOARD IN OPEN SESSION TO RECESS TO EXECUTIVE SESSION PURSUANT TO TEXAS GOVERNMENT CODE, CHAPTER 551	3:10 p.m.
1. Deliberations Regarding the Purchase, Exchange, Lease, Sale, or Value of Real Property – Section 551.072	
a. <b>U. T. Tyler: Discussion regarding acquisition of approximately 21.38 acres of land and improve- ments located at 3402 Old Omen Road, Tyler, Smith County, Texas, from Tyler Area Senior Citizens Association, Inc. (TASCA), a Texas corporation, for a purchase price not to exceed fair market value as supported by independent appraisals, for relocation and expansion of the nursing program</b>	<i>President Mabry Ms. Mayne</i>
b. <b>U. T. Tyler: Discussion regarding purchase of approximately 12.624 acres of vacant land located along the east line of Old Omen Road in Tyler, Texas, legally described as Lot 8-B, New City Block 1444, The Cambridge at Tyler, William Keys Survey, Abstract 526, Tyler, Smith County, Texas, from Asset Plus Realty Corporation, a Texas corporation, for a purchase price not to exceed fair market value as established by independent appraisals for recreational and parking facilities initially and for future programmed development of campus expansion</b>	<i>President Mabry Ms. Mayne</i>

**Wednesday, February 7, 2007** (continued)

2. Negotiated Contracts for Prospective Gifts or Donations – Section 551.073
  - U. T. M. D. Anderson Cancer Center: Discussion regarding a proposed negotiated gift with potential naming features** *President Mendelsohn  
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3. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers – Section 551.071
  - a. U. T. System Board of Regents: Discussion of legal issues regarding amendments to the Regents' Rules and Regulations, Series 90101, 90102, 90103, 90104, and 90105, concerning intellectual property, and Series 10501, Section 4.3, related to delegation to execute intellectual property documents** *Mr. Burgdorf  
Mr. Sanga*
  
  - b. U. T. System Board of Regents: Discussion of legal issues regarding a proposed amended and restated Declaration of Trust with Texas Student Publications (Texas Student Media) at U. T. Austin** *Mr. Burgdorf*
  
  - c. U. T. System Board of Regents: Discussion of legal issues related to possible affiliation agreement between U. T. Austin and Seton Healthcare Network** *Mr. Burgdorf*
  
  - d. U. T. System Board of Regents: Discussion with Counsel on pending legal issues** *Mr. Burgdorf*
  
4. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees – Section 551.074
  - a. U. T. Medical Branch - Galveston: Discussion of individual personnel matters related to presidential search**
  
  - b. U. T. System: Consideration of individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents, U. T. System Administration officers (Executive Vice Chancellors and Vice Chancellors), other officers reporting directly to the Board (Chancellor, General Counsel to the Board of Regents, and Director of Audits), and U. T. System employees**

**Wednesday, February 7, 2007** (continued)

B. RECONVENE IN OPEN SESSION TO CONSIDER ACTION ON EXECUTIVE SESSION ITEMS INCLUDING THOSE LISTED BELOW 4:55 p.m.

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

a. **U. T. Tyler: Authorization to acquire approximately 21.38 acres of land and improvements located at 3402 Old Omen Road, Tyler, Smith County, Texas, from Tyler Area Senior Citizens Association, Inc. (TASCA), a Texas corporation, for a purchase price not to exceed fair market value as supported by independent appraisals, for relocation and expansion of the nursing program; modification to the 2006-2011 Capital Improvement Program to delete the expansion of the David G. and Jacqueline M. Braithwaite Building at U. T. Tyler; and reallocation of \$2.16 million in Permanent University Fund (PUF) Bond Proceeds from the expansion of the Braithwaite Building to fund a portion of the purchase price**

b. **U. T. Tyler: Authorization to purchase approximately 12.624 acres of vacant land located along the east line of Old Omen Road in Tyler, Texas, legally described as Lot 8-B, New City Block 1444, The Cambridge at Tyler, William Keys Survey, Abstract 526, Tyler, Smith County, Texas, from Asset Plus Realty Corporation, a Texas corporation, for a purchase price not to exceed fair market value as established by independent appraisals for recreational and parking facilities initially and for future programmed development of campus expansion**

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

**U. T. M. D. Anderson Cancer Center: Discussion regarding a proposed negotiated gift with potential naming features**

C. RECESS 5:00 p.m.

Thursday, February 8, 2007

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<b>COMMITTEE MEETING</b> Student, Faculty, and Staff Campus Life Committee	9:00-10:00 a.m.	
D. RECONVENE IN OPEN SESSION	10:05 a.m.	
E. APPROVAL OF MINUTES		
F. CONSIDER AGENDA ITEMS		
1. <b>U. T. System Board of Regents: Proposed reappointment of Mr. Clint D. Carlson to the Board of Directors of The University of Texas Investment Management Company (UTIMCO)</b>	10:10 a.m. <b>Action</b> <i>Regent Caven</i>	<b>1</b>
2. <b>U. T. System Board of Regents: Update on status of search for the President, Chief Executive Officer, and Chief Investment Officer for The University of Texas Investment Management Company (UTIMCO)</b>	10:12 a.m. <b>Report</b> <i>Regent Caven</i>	<b>1</b>
3. <b>U. T. System Board of Regents: Adoption of Regents' Rules and Regulations, Series 20901, related to the procurement of certain goods and services</b>	10:17 a.m. <b>Action</b> <i>Mr. Burgdorf</i>	<b>2</b>
4. <b>U. T. System Board of Regents: Amendments to the Regents' Rules and Regulations, Series 90101, 90102, 90103, 90104, and 90105, concerning intellectual property, and Series 10501, Section 4.3, related to delegation to execute intellectual property documents</b>	10:20 a.m. <b>Action</b> <i>Mr. Burgdorf</i>	<b>4</b>
5. <b>U. T. System Board of Regents: Discussion and appropriate action regarding recommended approval of an amended and restated Declaration of Trust between the Board and Texas Student Publications</b>	10:25 a.m. <b>Action</b> <i>Mr. Burgdorf</i>	<b>19</b>
6. <b>U. T. System Board of Regents: Chancellor's Quarterly Update including comments on Statement on Board Accountability by the Association of Governing Boards of Universities and Colleges</b>	10:30 a.m. <b>Report</b> <i>Chancellor Yudof</i>	<b>39</b>
7. <b>U. T. System: Update on implementation of the U. T. System Strategic Plan</b>	10:40 a.m. <b>Report</b> <i>Dr. Malandra</i>	<b>39</b>
8. <b>U. T. System: Presentation of the Accountability and Performance Report for 2006-2007 and request to accept Report</b>	10:50 a.m. <b>Action</b> <i>Dr. Malandra</i>	<b>45</b>
9. <b>U. T. System Board of Regents: Legislative Update for the 80th Legislative Session</b>	11:00 a.m. <b>Report</b> <i>Mr. McBee</i>	<b>45</b>

<u>Thursday, February 8, 2007</u> (continued)	<b>Board/Committee Meetings</b>	<b>Page</b>
10. <b>U. T. System: Report on The University of Texas Borderplex technology-transfer shared services initiative</b>	11:10 a.m. <b>Report</b> <i>Mr. Sanga</i>	<b>45</b>
11. <b>U. T. System: Report on Public Health and Wellness</b>	11:20 a.m. <b>Report</b> <i>Dr. Shine</i> <i>Dr. Joseph McCormick</i>	<b>46</b>
G. RECESS FOR MEETINGS OF THE STANDING COMMITTEES AND COMMITTEE REPORTS TO THE BOARD	11:35 a.m.	
H. RECONVENE BOARD OF REGENTS AS COMMITTEE OF THE WHOLE TO ADJOURN	12:00 noon	

1. **U. T. System Board of Regents: Proposed reappointment of Mr. Clint D. Carlson to the Board of Directors of The University of Texas Investment Management Company (UTIMCO)**

#### RECOMMENDATION

Chairman Huffines recommends that Mr. Clint D. Carlson, Dallas, Texas, be reappointed to The University of Texas Investment Management Company (UTIMCO) Board of Directors for a term to expire April 1, 2010.

#### BACKGROUND INFORMATION

Section 66.08 of the *Texas Government Code* requires that the U. T. System Board of Regents appoint all members of the Board of Directors of UTIMCO. Mr. Carlson was appointed to the UTIMCO Board of Directors on September 28, 2004, for a term ending on April 1, 2007. This is a public/external representative and is not an "affiliated Director" position.

Mr. Carlson is President and Chief Investment Officer of Carlson Capital, L.P., the investment advisor of the Black Diamond group of hedge funds.

2. **U. T. System Board of Regents: Update on status of search for the President, Chief Executive Officer, and Chief Investment Officer for The University of Texas Investment Management Company (UTIMCO)**

#### REPORT

Regent Caven, Chairman of The University of Texas Investment Management Company (UTIMCO) Board of Directors, will provide an update on the status and a projected timetable for the search for the chief executive officer for UTIMCO.

3. **U. T. System Board of Regents: Adoption of Regents' Rules and Regulations, Series 20901, related to the procurement of certain goods and services**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Interim Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and the Vice Chancellor and General Counsel that a new Rule, related to the procurement of certain goods and services, be adopted as Regents' *Rules and Regulations*, Series 20901 as set forth on Page 3.

BACKGROUND INFORMATION

Article XVI, Section 21 of the Texas Constitution requires that certain goods and services, including printing and natural gas, be performed under contract awarded to the lowest responsible bidder "under such regulations as shall be prescribed by law." According to longstanding Texas law, rules adopted by the Board of Regents have the force and effect of law. On June 16, 2006, the Texas Attorney General issued Opinion No. GA-0438 confirming that the Board of Regents may, consistent with Section 21, adopt rules having the force and effect of law that limit Section 21 and exclude certain purchases from the competitive procurement requirement of Section 21.

In compliance with Section 21 and in the absence of applicable regulations prescribed by law, U. T. institutions currently procure goods and services covered by Section 21 through the competitive bidding process. The exclusive use of competitive bidding for Section 21 goods and services has led to certain inefficiencies because Sections 51.9335, 73.115, and 74.008, *Texas Education Code*, authorize U. T. institutions to procure most other goods and services through the method that provides best value to the institution, including competitive bidding, competitive sealed proposals, a catalog purchase, a group purchase program, or an open market contract.

The proposed rule would have the force and effect of law and make the procurement practices applicable to the goods and services covered by Section 21 consistent with the procurement practices applicable to most other goods and services.

**1. Title**

Procurement of Certain Goods and Services

**2. Rule and Regulation**

Sec. 1 Establishment of Procedures. Each institution and System Administration may acquire goods and services covered by *Texas Constitution* Article XVI, Section 21 (including but not limited to stationery, printing, and fuel) from institutional departments or purchase the goods and services from external sources. If the goods or services are purchased from external sources, the goods and services shall be purchased as follows:

1.1 using the method that provides the best value to the institution or System Administration including competitive bidding, competitive sealed proposals, a catalog purchase, a group purchase program, or an open market contract; and

1.2 in accordance with (a) the requirements of *Texas Education Code* Sections 51.9335, 73.115, or 74.008, as applicable, (b) the Regents' *Rules and Regulations*, (c) the U. T. System *Administrative Rules*, and (d) the policies and procedures of the institution or System Administration.

Sec. 2 Competitive Procurement. If an institution or System Administration purchases goods or services covered by *Texas Constitution* Article XVI, Section 21 from external sources, the Board strongly encourages the use of a competitive procurement method unless a thorough analysis concludes that a noncompetitive method would provide the best value to the institution or System Administration. Any such analysis must be in writing and retained in the records of the institution or System Administration in accordance with the applicable record retention schedule.

**3. Definitions**

Fuel – for purposes of this Series, means anything consumed to produce energy including coal, natural gas, oil, diesel fuel, gasoline, and propane.



4. **U. T. System Board of Regents: Amendments to the Regents' *Rules and Regulations*, Series 90101, 90102, 90103, 90104, and 90105, concerning intellectual property, and Series 10501, Section 4.3, related to delegation to execute intellectual property documents**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Interim Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, the Vice Chancellor and General Counsel, and the Interim Vice Chancellor for Research and Technology Transfer that Regents' *Rules and Regulations*, Series 90101, 90102, 90103, 90104, and 90105, concerning intellectual property, and Series 10501, Section 4.3, concerning delegation to act on behalf of the Board of Regents, be amended as set forth in congressional style on Pages 6 - 18.

BACKGROUND INFORMATION

The revised Regents' *Rules and Regulations* concerning intellectual property will clarify U. T. System's support and encouragement of technology transfer initiatives and provide greater certainty regarding the process for and ownership of intellectual property that is to be commercialized. These revisions have received significant review by numerous technology transfer directors and professionals within the U. T. System.

One major proposed substantive change replaces "area of expertise for which the individual was hired" with "course and scope of employment." This language appears numerous times throughout Series 90101 and Series 90102 in the context of determining when the Board of Regents owns certain intellectual property. This revision is necessary because, in practice, "area of expertise for which the individual was hired" is overly broad and could be interpreted to work against U. T. System's technology transfer initiatives.

Additional revisions are proposed to promote and encourage technology transfer within the U. T. System. For example, amendment to Series 90102, Section 2.2 reduces the number of days an institution has before it must notify an inventor/creator of the institution's election not to assert U. T. System's ownership interest in intellectual property. Series 90102, Section 2.5 is proposed to be amended to allow an institution to adjust its allocation of royalties from 50% to creators and 50% to U. T. System to some other proportion with prior approval by the Board of Regents, but does not mandate approval as an Agenda Item as is currently required.

Other proposed revisions relate to the delegation of signature authority. Series 90105, Section 3 is proposed to be revised to (a) add the Vice Chancellor for Research and Technology Transfer to the list of individuals who may execute legal documents relating to intellectual property and (b) authorize an institution's president to execute corporate documents related to the formation of new companies after appropriate review and approval. Series 10501, Section 4.3, dealing with contracts not requiring Board of Regents approval, is revised to cross-reference delegation of signature authority added to Series 90105.

Finally, several proposed nonsubstantive revisions are intended to clarify the Regents' *Rules and Regulations* concerning intellectual property. Amendment to Series 90101, Section 7 will clarify the inventor's role in commercializing the technology created. Also, Series 90102, Section 2.1 is proposed to be amended to require an institution to communicate regularly with the creator during the decision-making process.

The allocation of royalties to the creators as set forth in Series 90102, Section 2.5 is currently under review by U. T. System staff, and appropriate recommendations will be made in the future.

1. Title

~~General~~ Rules for Intellectual Property: Purpose, Scope, Authority

2. Rule and Regulation

Sec. 1 ~~Philosophy. It is the objective of this policy to encourage the development of inventions and other intellectual creations for the best interest of the public, the creator, and the research sponsor, if any, and to permit the timely protection and disclosure of such intellectual property whether by development and commercialization after securing available protection for the creation, by publication, or both. The policy is further intended to protect the respective interests of all concerned by ensuring that the benefits of such property accrue to the public, to the inventor, to the U. T. System, and to sponsors of specific research in varying degrees of protection, monetary return and recognition, as circumstances justify or require.~~Purpose. To balance the interests of the many contributors to the substantial creation of intellectual property at and by U. T. System, the Board of Regents promulgates these rules on intellectual property with the purpose to (a) provide certainty in research pursuits and technology-based relationships with third parties; (b) create an optimal environment for research, development and commercialization opportunities with private industry; and (c) encourage the timely and efficient protection and management of intellectual property.

Sec. 2 Individuals Subject to ~~the~~this Policy. ~~The~~This intellectual property policy applies (a) to all persons employed by the U. T. System or any of its institutions including, but not limited to, full and part-time faculty and staff and visiting faculty members and researchers, and (b) to anyone using the facilities or resources of the U. T. System or any of its institutions, ~~and to~~including, but not limited to, students enrolled at a U. T. System institution whether undergraduate ~~students, to candidates for~~ master's and doctoral degrees, and ~~to~~ postdoctoral and predoctoral fellows. All individuals subject to this policy must assign their rights in intellectual property included under this policy (see Section 3 below) in accordance with the provisions of Series 90102.

Sec. 3 ~~Types of~~ Intellectual Property Included. Except as set forth in Sections 4 and 5 below and Series 90102 of the Regents' *Rules and Regulations*, this policy ~~shall apply to~~applies to all types of intellectual property ~~of all types~~, including, but not limited to, any invention, discovery, creation, know-how, trade secret, technology, scientific or

technological development, research data, works of authorship, and computer software regardless of whether subject to protection under patent, trademark, copyright, or other laws.

- Sec. 4 Board ~~May~~Will Not Assert Interest in Certain Copyrights. ~~The~~Notwithstanding Section 3 above, the Board of Regents ~~shall~~will not assert its interest in the copyright of scholarly or educational materials, artworks, musical compositions, and ~~dramatic and nondramatic~~ literary works related to the author's academic or professional field, regardless of the medium of expression. This applies to works authored by students, professionals, faculty and nonfaculty researchers. The Board of Regents encourages these creators to manage their copyrights in accordance with the guidelines concerning management and marketing of copyrighted works (<http://www.utsystem.edu/ogc/intellectualproperty/COPYMGT.HTM>) consistent with applicable institutional policies.
- Sec. 5 Board May Not Assert Copyright Interest in Certain Software. The Board of Regents ~~normally~~ asserts ownership in software ~~as an invention~~; however, copyrights in original software that is content covered by Section 4 above or that is integral to the presentation of such content shall be owned by the creator in accordance with Section 4 above.
- Sec. 6 Works for Hire and Institutional Projects. Notwithstanding the provisions of Sections 4 and 5 above, the Board of Regents shall have sole ownership of all intellectual property created by (a) an employee who was, student, or other individual commissioned, required or hired specifically ~~or required~~ to produce ~~it or commissioned~~ such intellectual property by the U. T. System or any of its institutions and (b) an employee or student as part of an institutional project. Except as may be provided otherwise in a written agreement approved by the ~~president of the~~ institution or U. T. System, the provisions of the Regents' *Rules and Regulations*, Series 90102, Number 2, Section 2.5 relating to division of royalties shall not apply to intellectual property owned solely by the Board of Regents pursuant to this Section ~~6~~.
- Sec. 7 Role of Creator. Any person subject to this policy who creates intellectual property (other than a work for hire under Section 6 above or on government or other sponsored research projects where the grant agreements provide otherwise, should have a major role in the ultimate determination of how it is to be published;), may give reasonable input on commercialization of inventions; provided however, that the president may(s) of the applicable institution(s), or his or her designee(s), in his or her sole discretion, ~~decide whether will~~

make final decisions, including determinations under Section 5 above, whether and how to develop and commercialize an invention ~~after securing available protection for the creation, if necessary.~~

- Sec. 8 ~~Service of Public Interest. It is a basic policy of the U. T. System or any of its institutions that intellectual property be developed primarily to serve the public interest. This objective usually will require development and commercialization by exclusive or nonexclusive licensing.~~ ~~Sec. 9~~ Use of Facilities and Resources. Neither the facilities nor the resources of the U. T. System or any of its institutions may be used ~~(ia)~~ to create, develop, or commercialize intellectual ~~properties~~ property outside the ~~area of expertise for which~~ course and scope of employment of the individual ~~was hired~~ (~~See~~ see Regents' *Rules and Regulations*, Series 90102, Number 2, Section 1); or ~~(ib)~~ to further develop or commercialize intellectual properties that have been released to an inventor (~~See~~ see Regents' *Rules and Regulations*, Series 90102, Number 2, ~~Section~~ Sections 2.2 and 2.3) except as the institution's president may approve where the U. T. System retains an interest under the terms of the release.
- Sec. ~~409~~ Creation Use of Research Data. Research Data or results created by an employee is owned by the Board of Regents and, except to the extent that rights to such research data have not been contractually assigned or licensed to another, the creator shall have a nonexclusive license to use such data for nonprofit educational, research, and scholarly purposes within the scope of the employee's employment, subject to adherence to other provisions of this policy.

1. Title

Intellectual Property Rights and Obligations

2. Rule and Regulation

Sec. 1 Intellectual Property Owned by the Creator. ~~For all individuals subject to this policy, intellectual~~Intellectual property developed or created by a U. T. System employee outside the ~~area of expertise for which~~course and scope of employment of the individual ~~was hired that is developed~~which is developed or created on his/her own time and without the support of the U. T. System or any of its institutions or use of their facilities or resources, is the exclusive property of the creator.

Sec. 2 Intellectual Property Owned by U. T. System. Intellectual property either ~~related to the area of expertise for which and~~developed within the course and scope of employment of the individual ~~was hired~~ or resulting from activities performed on U. T. System time, or with support by State funds, or from using facilities or resources owned by the U. T. System or any of its institutions ~~is subject to ownership~~(other than incidental use) is owned by the Board of Regents. To effectively implement this rule and provide certainty to individuals subject to this policy, U. T System institutions may promulgate institutional rules, regulations, or policies defining the course and scope of employment for persons or classes of persons and specifying that authorized (pursuant to existing rules and procedures) outside employment is or is not within an employee's course and scope of employment.

2.1 Determination of U. T. System's Interest. Before intellectual property subject to ownership by the Board of Regents is disclosed to any party outside the U. T. System, to the public generally, or for commercial purposes, and before publishing same, the creator shall submit a reasonably complete and detailed disclosure of such intellectual property to the president of the creator's institution for determination of the U. T. System's interest. The institution will regularly and promptly communicate with the creator during this decision-making process.

2.2 Election Not to Assert Ownership Interest. If the institution's president elects not to assert ~~and exploit~~ U. T. System's interest, the U. T. System Office of General Counsel and the primary creator shall be notified in writing within ~~30~~20 business days after a decision is made not to assert ownership rights that the ~~invention~~institution will ~~be~~offer the released intellectual property to the creator (see Series 90101, Section 8), except where

prohibited by law or contractual obligations or requirements.

Thereafter, he or she will be free to obtain and exploit a patent or other intellectual property protection in his or her own right and the U. T. System and its institutions shall not have any further rights, obligations, or duties with respect thereto except that, in appropriate circumstances, the institution's president may elect to impose certain limitations or obligations ~~or retain income rights, including, but not limited to, a nonexclusive license for the creator, U. T. System, and any of its institutions to use the released invention for patient care, teaching, scholarly and other academically related purposes, and nonprofit research.~~

- 2.3 Later Release of Invention. ~~The~~ Except where prohibited by law or contractual obligations or requirements, the institution's president may elect to release an invention to its creator at any time after asserting U. T. System's interest, with notice to the U. T. System Office of General Counsel (see Series 90101, Section 8); however, such a release ~~shall~~ must include provisions for the recovery of patent and licensing expenses, if any, as well as the retention of income rights, and may include certain limitations or obligations, including those set forth in Section 2.2 above.
- 2.4 Protection and Commercialization of Intellectual Property. With respect to intellectual property in which the U. T. System or any of its institutions asserts an interest, the institution's president, or his or her designee, shall decide how, when, and where the intellectual property is to be protected and commercialized. Outside counsel services may be contracted with the prior consent of the U. T. System Vice Chancellor and General Counsel and, if required by law, the approval of the Attorney General. ~~It shall be mandatory for all persons subject to this policy to assign the rights to intellectual property and patents to the Board of Regents when such creations fall within Number 2, Section 2 of this Series. U. T. System shall establish an intellectual property data collection system.~~
- 2.5 Reimbursement of Licensing Costs and Allocation of Income. In those instances where the U. T. System or any of its institutions licenses rights in intellectual property to third parties, and other than with regard to elections under Section 2.2 above, the costs of licensing, including, but not limited to, the costs to operate and support a technology transfer office and the costs of obtaining a patent or other protection for the property on behalf

of the Board of Regents must first be recaptured from any royalties or other license payments received by the U. T. System or any of its institutions ~~before the~~. The remainder of any such income (including but not limited to license fees, prepaid royalties, minimum royalties, running royalties, milestone payments, and sublicense payments) shall be divided as follows:

50% to creator(s)  
50% to U. T. System.

With the prior approval of the Board ~~as an agenda item and after review by the U. T. System Vice Chancellor and General Counsel, the Vice Chancellor for Research and Technology Transfer, and the appropriate Executive Vice Chancellor~~, an institution may adjust the allocation of royalties set forth herein for ~~all its creators, but in no event shall the creator receive more than 50% or less than 25% of such proceeds. Any other deviation from this rule in individual cases requires the prior approval of the Board~~ a creator.

- Sec. 3 Intellectual Property Involving Sponsored Research. Intellectual property resulting from research supported by a grant or contract with the federal government, or an agency thereof, with a nonprofit or for-profit nongovernmental entity, or by a private gift or grant to the U. T. System or any of its institutions shall be subject to ownership by the Board of Regents.
- 3.1 Nonconformance with Intellectual Property Guidelines. Administrative approval of such grants and contracts containing provisions inconsistent with this policy or other policies and guidelines adopted by the Board imply a decision that the value to the U. T. System or any of its institutions of receiving the grant or performing the contract outweighs the impact of any nonconforming provisions on the intellectual property policies and guidelines of the U. T. System or any of its institutions (Reference Regents' *Rules and Regulations*, Series 90105, Number 2, Section 2).
- 3.2 Conflicting Provisions. The intellectual property policies and guidelines of the U. T. System or any of its institutions are subject to, and thus amended and superseded by, the specific terms pertaining to intellectual property rights included in federal



grants and contracts, or grants and contracts with nonprofit and for-profit nongovernmental entities or private donors, to the extent of any conflict.

- 3.3 Cooperation with Necessary Assignments. Those persons subject to this policy whose intellectual property creations result from a grant or contract with the federal government, or any agency thereof, with a nonprofit or for-profit nongovernmental entity, or by private gift to the U. T. System or any of its institutions shall make such assignment of such creations ~~as is~~ and will execute and deliver such documents and instruments as is reasonably necessary in each case in order that the U. T. System or any of its institutions may discharge its obligation, expressed or implied, under the particular agreement.
- 3.4 Sharing of Royalty Income. In the event that two or more persons who are entitled to share royalty income pursuant to Number 2, Section 2.5 of this Series (or equity pursuant to Regents' *Rules and Regulations*, Series 90103 concerning equity interests) cannot agree in writing on an appropriate sharing arrangement, that portion of the royalty income to which the creators are entitled will be distributed to them as the institution's president or, in the event that the creators are located at two or more institutions within the U. T. System, the Chancellor may deem appropriate under the circumstances and such decision shall be binding on the creators.
- 3.5 Geographical Scope of Protection. A decision by the U. T. System or any of its institutions to seek patent or other available protection for intellectual property covered by Number 2, Section 2 of this Series shall not obligate the U. T. System or any of its institutions to pursue such protection in all national jurisdictions. The U. T. System's decision relating to the geographical scope and duration of such protection shall be final.

1. Title

Equity Interests

2. Rule and Regulation

Sec. 1 Agreements with Business Entities. In agreements with business entities relating to rights in intellectual property owned by the Board of Regents, the U. T. System or any of its institutions may receive equity interests as partial or total compensation for the rights conveyed. In any such instance, the institution where the intellectual property was created may elect, at its option, to share an equity interest, dividend income, or the proceeds of the sale of an equity interest with the creator(s) in the same manner as royalties are shared pursuant to Regents' *Rules and Regulations*, Series 90102, Number 2, Section 2.5. The U. T. System or any of its institutions may also receive equity interests in a business entity as consideration for the institution's role as a founder or cofounder of the business entity, and shall not be obligated to share such equity interests with the creator(s).

Sec. 2 Creator Holding Equity and Managing Conflict of Interest. Employees of the U. T. System or any of its institutions who conceive, create, discover, invent, or develop intellectual property may hold an equity interest in a business entity that has an agreement with the U. T. System or any of its institutions relating to the research, development, licensing, or exploitation of that intellectual property only so long as the institution where the intellectual property was developed is in full compliance with the requirements to have, implement, and enforce for that employee an effective conflict of interest management plan approved by the institution's president as set forth in the [U. T. System's Procedure for Obtaining Approval of Plan to Manage Conflicts of Interest](http://www.utsystem.edu/ogc/IntellectualProperty/conflict.htm) (<http://www.utsystem.edu/ogc/IntellectualProperty/conflict.htm>). In any case where actual conflict of interest is found, the employee may be required to divest the equity interest or terminate affected research.

Sec. 3 Employee Equity Interests. The U. T. System or any of its institutions may, but shall not be obligated to, negotiate an equity interest on behalf of any employee as a part of an agreement between the U. T. System or any of its institutions and a business entity relating to intellectual property conceived, created, discovered, invented, or developed by the employee and owned by the Board of Regents.

1. Title

Business Participation and Reporting

2. Rule and Regulation

- Sec. 1 Approval to Serve as Officer or Director. Any employee of the U. T. System or any of its institutions who conceives, creates, discovers, invents or develops intellectual property may serve, in his/her individual capacity, as a member of the board of directors or other governing board or as an officer or an employee (other than as a consultant) of a business entity that has an agreement with the U. T. System or any of its institutions relating to the research, development, licensing, or exploitation of that intellectual property only so long as the institution where the intellectual property was developed is in full compliance with the requirements to have, implement, and enforce for that employee an effective conflict of interest management plan approved by the institution's president as set forth in the [U. T. System's Procedure for Obtaining Approval of Plan to Manage Conflicts of Interest \(http://www.utsystem.edu/ogc/IntellectualProperty/conflict.htm\)](http://www.utsystem.edu/ogc/IntellectualProperty/conflict.htm). In any case where actual conflict of interest is found, the employee may be required to terminate the business relationship or the relevant research.
- Sec. 2 Request for Employee to Serve as Officer or Director. When requested by the Board of Regents, an employee may serve on behalf of the Board of Regents as a member of the board of directors or other governing board of a business entity that has an agreement with the U. T. System or any of its institutions relating to the research, development, licensing, or exploitation of intellectual property, but may not accept any consideration offered for service on such board.
- Sec. 3 Report of Equity Interest and Service as Officer or Director. Any employee covered by Regents' *Rules and Regulations*, Series 90103, Number 2, Section 2 concerning conflict of interest and Sections 1 or 2 above must report in writing to the president of the institution the name of any business entity in which the person has an interest or for which the person serves as a director, officer, or employee and shall be responsible for submitting a revised written report upon any change in the interest or position held by such person in such business entity. The Vice Chancellor and General Counsel will file a report by

October 1 of each year with the Board of Regents as required by *Texas Education Code* Section 51.912 and include this information in the annual financial report sent to the State officials listed in *Texas Education Code* Section 51.005.

1. Title

Execution of Legal Documents Related to Intellectual Property

2. Rule and Regulation

Sec. 1 Execution of Agreements. Agreements that grant an interest in Board intellectual property, including but not limited to option and license agreements and contracts with corporate sponsors may be executed and delivered in accordance with the provisions of the Regents' *Rules and Regulations*, Series 10501, after any required review by [the](#) U. T. System ~~Administration's~~ Office of General Counsel.

Sec. 2 Agreements That Do Not Conform to the Rules. Any agreement that deviates substantially from the basic intellectual property policy of the U. T. System as set out in the Regents' *Rules and Regulations* may be executed and delivered as set forth in Section 1 above if, in the judgment of the institution's president [and after any required review by the U. T. System Office of General Counsel](#), the benefits from the level of funding for proposed research and/or other consideration from a sponsor, licensee, or other party outweigh any potential disadvantage that may result from the policy deviation.

Sec. 3 Authority to Execute Documents. The Chancellor, the appropriate Executive Vice Chancellor, ~~or the Vice Chancellor and General Counsel, or the Vice Chancellor for Research and Technology Transfer~~ may execute, on behalf of the Board of Regents, legal documents relating to the Board's rights in intellectual property, including, but not limited to, applications, declarations, affidavits, powers of attorney, disclaimers, and other such documents relating to patents and copyrights; applications, declarations, affidavits, affidavits of use, powers of attorney, and other such documents relating to trademarks; and corporate documents related to the formation of new companies. In addition, the institution's president may execute, on behalf of the Board, [\(a\)](#) institutional applications for registration or recordation of transfers of ownership and other such documents relating to copyrights

and (b) corporate documents related to the formation of new companies if (i) first reviewed and approved by the U. T. System Office of General Counsel or (ii) first reviewed and approved by institution's outside counsel working under a U. T. System Office of General Counsel-approved outside counsel agreement.

1. Title

Delegation to Act on Behalf of the Board

2. Rule and Regulation

. . .

Sec. 4 Contracts Not Requiring Board Approval. The following contracts or agreements, including purchase orders and vouchers, do not require prior approval by the Board of Regents regardless of the contract amount.

. . .

4.3 Intellectual Property. ~~Contracts~~[Legal documents, contracts,](#) or grant proposals for sponsored research, including institutional support grants, and licenses or other conveyances of intellectual property owned or controlled by the Board of Regents;~~provided that licenses and other conveyances of intellectual property owned or controlled by the Board shall have the advance approval of the appropriate Executive Vice Chancellor~~ [as outlined in Series 90105 of these Rules.](#)

. . . .

5. **U. T. System Board of Regents: Discussion and appropriate action regarding recommended approval of an amended and restated Declaration of Trust between the Board and Texas Student Publications**

**RECOMMENDATION**

Chancellor Yudof concurs in the recommendation of the Interim Executive Vice Chancellor for Academic Affairs, the Vice Chancellor and General Counsel, the General Counsel to the Board of Regents, and President Powers that the Board approve an amended and restated Declaration of Trust between the Board of Regents as Trustees and Texas Student Publications (to be renamed Texas Student Media), as set forth on Pages 21 - 38, to be effective upon execution.

**BACKGROUND INFORMATION**

The assets and operations of certain student publications at U. T. Austin, including *The Daily Texan*, are held and maintained pursuant to a Declaration of Trust put into place in 1971. Pursuant to the terms of the Declaration of Trust, these student publications are managed under a unique governance structure, including an 11 member Board of Operating Trustees and the Board of Regents. Recent review of the trust document revealed a need to update the trust to 1) reflect the current operation of student media, such as television and radio, that extend beyond print media; 2) create a more efficient operational structure for Texas Student Media to optimize student educational opportunities; and 3) modernize trust language.

The proposed amended and restated Declaration of Trust has been developed through discussions among representatives of U. T. System Administration, U. T. Austin, and Texas Student Publications. Vice Chairman Krier and Regent Haley have participated in the discussions at the request of Chairman Huffines. The current trust document requires that any amendments or revisions be approved by a majority vote of the Board of Regents and the Board of Operating Trustees of Texas Student Publications. The amended and restated trust document proposed for approval by the Board of Regents was approved by the Board of Operating Trustees of Texas Student Publications at a regularly scheduled Board meeting on January 19, 2007.

Key provisions of the proposed document are as follows:

1. Creation of the position of Media Advisor - an employee or independent contractor who will have "substantial training and experience" to work with and advise students on legal and compliance issues related to media enterprises.
2. Agreements by Texas Student Media to use the Media Advisor for training and consultation and certify annually to the Board of Regents the existence and effectiveness of the role of the Media Advisor.



3. Comprehensive provisions specifying the educational mission of Texas Student Media and defining a role in that educational mission for the U. T. Austin College of Communication.
4. Greater day-to-day operational control and responsibility by the Board of Operating Trustees.
5. Mechanisms for the timely and efficient evaluation of the General Manager of Texas Student Media by interested parties.
6. Financial reporting by Texas Student Media to the Board of Regents.
7. Requirements that Texas Student Media purchase and maintain appropriate liability insurance.
8. Indemnification and Exculpation provisions for the Board.
9. A triggering provision stating that, if and when Texas Student Media raises an inflation-adjusted endowment in the current dollar amount of \$5 million, the Board of Regents will reasonably discuss conversion of the Trust to an independent 501(c)(3) entity.
10. An easier procedure to amend the trust document in the future, whereby the Board of Regents may agree to proposed amendments without the necessity of a Board vote.

**AMENDED AND RESTATED DECLARATION OF TRUST  
OF  
TEXAS STUDENT MEDIA TRUST**

1. INTRODUCTION AND DEFINITIONS

1.1. Trust Established. The Texas Student Media Trust (the “Trust”) was originally established on August 27, 1971, when Texas Student Publications, Inc., acting by and through its officers and directors, conveyed, assigned and transferred all assets of Texas Student Publications, Inc. to the Board of Regents of The University of Texas System (the “Trustees”), in trust, subject to the terms and conditions of a written declaration of trust.

1.2. Trust Assets. All Trust Assets are held by the Trustees to be used solely for the maintenance and support of the Student Media, and shall be recorded in the accounting records of the University in accordance with the standard practices for the management of this type of funds and account.

1.3. Declaration of Trust. This Amended and Restated Declaration of Trust (the “Declaration of Trust”) amends and restates the declaration of trust dated August 27, 1971 (as the Declaration of Trust has been further amended and restated from time to time through the Effective Date).

1.4. Definitions. As used in this Declaration of Trust, the following terms shall have the specified meanings:

(a) “Academic Departments” shall have the meaning set forth in Paragraph 2.3.

(b) “Applicable Laws” shall mean all laws, statutes, constitutions, rules, regulations, principles of common law, resolutions, codes, ordinances, requirements, judgments, orders, decrees, injunctions and writs of any Governmental Entity which has, or is reasonably likely to have, jurisdiction over the Trust, the Trust Assets or the Student Media including, without limitation, Applicable Laws related to libel, slander, defamation, advertising injury and broadcast decency.

(c) “Board of Regents” shall mean the Board of Regents of The University of Texas System.

(d) “Board of Operating Trustees” shall mean those persons serving as Operating Trustees of the Trust at any given time.

(e) “Code” shall mean the Internal Revenue Code of 1986, as amended.

(f) “College of Communication” shall mean the College of Communication of the University.

(g) “Declaration of Trust” shall have the meaning set forth in Paragraph 1.3.

(h) “Effective Date” shall mean [\_\_\_\_\_] [\_\_\_], 2007.

(i) “Endowment” shall have the meaning set forth in Paragraph 4.5.

(j) “FCC” shall mean the Federal Communications Commission.

(k) “FCC Licenses” shall mean all of the licenses, permits and other authorizations issued by the FCC to the Trustees or the Board of Regents and all applications of the Trustees or the Board of Regents, if any, to the FCC relating to or used in connection with the ownership or operation of the Media Assets and listed on Schedule 1.4(k) to this Declaration of Trust (as such schedule may be amended or supplemented from time to time), together with any pending applications therefor and renewals, extensions or modifications thereof.

(l) “Governmental Entity” shall mean any national, state, municipal, local or foreign government, any instrumentality, subdivision, court, administrative agency or commission or other governmental authority or instrumentality, or any quasi governmental or private body exercising any regulatory, taxing, importing or other governmental or quasi governmental authority.

(m) “Governmental Permits” shall mean all licenses, certificates of occupancy, permits, franchises, registrations, certificates of public convenience and necessity, approvals, easements, authorizations and operating rights granted by an Governmental Entity having jurisdiction over the Media Assets, including any applications therefor.

(n) “Indemnified Persons” shall have the meaning set forth in Paragraph 4.3.

(o) “Losses” shall have the meaning set forth in Paragraph 4.3.

(p) “Media Advisor” shall mean an employee of the University or the Board of Operating Trustees, or an or independent contractor who reports to the Board of Operating Trustees, which employee or independent contractor shall have substantial training and experience in the area of operating print, broadcast and electronic media in compliance with Applicable Laws.

(q) “Media Assets” shall mean the right, title and interest of the Trustees in and to the assets listed or described on Schedule 1.4(q) to this Declaration of Trust (as such schedule may be amended or supplemented from time to time).

(r) “Media Contracts” shall mean any written, oral or other agreement, contract, subcontract, lease, understanding, instrument, note, warranty, license, sublicense or legally binding commitment or undertaking of any nature, whether express or implied, related to the Media Assets.

(s) “Nonprofit Corporation” shall mean a Texas non-profit corporation exempt from federal income taxation under Section 501(a) of the Code, as an organization described in Section 501(c)(3) of the Code.

(t) “Operating Trustees” shall mean the voting members of the Board of Operating Trustees elected to serve in that capacity pursuant to Section 3.

(u) “Public Purpose” shall have the meaning set forth in Paragraph 2.1.

(v) “Student Media” shall mean the student publications and other print, broadcast and electronic media, published, broadcast, distributed, disseminated or otherwise communicated on or from the campus of the University and set forth on Schedule 1.4(v) to this Declaration of Trust, together with such other student media as may be authorized by the Board of Operating Trustees from time to time (which such other student media shall be reflected on an amendment or supplement to Schedule 1.4(v) adopted in accordance with Paragraph 4.7 of this Declaration of Trust).

(w) “Trust” shall have the meaning set forth in Paragraph 1.1.

(x) “Trust Assets” shall mean all Media Assets, Media Property, Media Contracts, Governmental Permits and FCC Licenses.

(y) “Trustees” shall have the meaning set forth in Paragraph 1.1.

(z) “University” shall mean The University of Texas at Austin.

## 2. TRUST PURPOSES

2.1. Public Purpose. The purpose of the Trust is (a) to further the academic and educational mission of the University by providing educational opportunities for students of the University and (b) to serve as an information resource for students and other persons interested in the affairs of the University (collectively, the “Public Purpose”).

### 2.2. Operation of Student Media.

(a) In furtherance of the Public Purpose, the Board of Operating Trustees shall (1) operate and control the Student Media, Trust Assets, Media Contracts and Media Assets for the benefit of the University community; (2) publish, broadcast, distribute, disseminate or otherwise communicate the Student Media to the University community and (3) establish and maintain controls and procedures that are reasonably designed to ensure that the activities of the Student Media are operated in a manner consistent with the Public Purpose and Applicable Laws.

(b) The controls and procedures established and maintained by the Board of Operating Trustees pursuant to this Paragraph 2.2 shall provide, without limitation, for (1) the regular training of all employees, editors, managers, editorial workers and staff members of the Student Media by a Media Advisor and (2) the timely consultation by the Media Advisor with the employees, editors, managers, editorial workers and staff members of the Student Media, in each case, to ensure that the Student Media are operated in a manner consistent with the Public Purpose and Applicable Laws. The parties to this Declaration of Trust intend that these controls and procedures be designed to provide the employees, editors, managers, editorial workers and staff members of the Student Media with training and consultation resources similar to those training and consultation resources available to commercial media operations. The Board of Operating Trustees shall establish the initial controls and procedures required by this Paragraph 2.2 within 90 days following the Effective Date.

(c) The Board of Operating Trustees shall certify in writing to the Board of Regents within 90 days following the close of each fiscal year that the Board of Operating Trustees has evaluated the controls and procedures established and maintained pursuant to this Paragraph 2.2, and shall include in such certification the conclusions of the Board of Operating Trustees as to the effectiveness of such controls and procedures as of the close of such fiscal year.

2.3. Coordination with Educational Activities. In furtherance of the Public Purpose, the Board of Operating Trustees shall coordinate the publication, broadcast, distribution, dissemination or other communication of the Student Media with the educational activities of the College of Communication and the School of Journalism, the Department of Radio, Television and Film, the Department of Communication Studies, the Department of Advertising and such other colleges, schools or departments of the University as may be identified by the Trustees from time to time (collectively, the “Academic Departments”). The Board of Operating Trustees and the Dean of the College of Communication (or such other college, school or department of the University as may be identified by the Trustees from time to time) shall establish and maintain controls and procedures reasonably designed to ensure the coordination of the publication, broadcast, distribution, dissemination or other communication of the Student Media with the educational activities of the Academic Departments. The controls and procedures required by this Paragraph 2.3 are set forth on Schedule 2.3 to this Declaration of Trust (as such schedule may be amended or supplemented from time to time). At least annually, the Board of Operating Trustees and the Dean of the College of Communication shall evaluate the controls and procedures required by this Paragraph 2.3, and shall recommend for approval by the Board of Operating Trustees and the Board of Regents modifications to such controls and procedures as the Board of Operating Trustees and the Dean of the College of Communication deem necessary or advisable to further the purposes of this Paragraph 2.3 (which approval shall be evidenced by an amendment or supplement to Schedule 2.3). The Board of Operating Trustees shall certify in writing to the Board of Regents within 90 days following the close of each fiscal year that the Board of Operating Trustees and the Dean of the College of Communication have evaluated the controls and procedures maintained pursuant to this Paragraph 2.3, and shall include in such certification the conclusion of the Board of Operating Trustees and the Dean of the College of Communication that (a) such controls and procedures are designed to ensure the coordination of the publication, broadcast, distribution, dissemination or other communication of the Student Media with the educational activities of the Academic Departments and (b) that as of the close of such fiscal year, the Board of Operating Trustees and the Dean of the College of Communication are not aware of any deficiency or weakness in the design or operation of such controls and procedures which are reasonably likely to adversely affect the coordination of the publication, broadcast, distribution, dissemination or other communication of the Student Media with the educational activities of the Academic Departments.

#### 2.4. Financial Support.

(a) The Board of Operating Trustees shall use all commercially reasonable efforts to generate advertising revenues, sponsorships and charitable and other financial contributions and support for the Student Media in order to defray the costs of holding and maintaining the Trust Assets and operating the Student Media. Notwithstanding the foregoing, all advertising revenues, sponsorships and charitable and other financial contributions and support for the

Student Media shall be used exclusively for the support of the University and in a manner consistent with the Public Purpose.

(b) Provided that the Board of Operating Trustees is in compliance with the terms and conditions of this Declaration of Trust (including, without limitation, the certification requirements set forth in Paragraphs 2.2, 2.3, and 4.2(a)(4)), the Board of Regents, acting through the President of the University, shall take such actions as it determines are necessary to provide the Board of Operating Trustees with the opportunity to participate in the allocation of a portion of the student services fee of the University for use by the Board of Operating Trustees in the operation of the Student Media. The Board of Operating Trustees acknowledges that the allocation of the student services fee is determined on an annual basis by a committee of students, faculty and staff of the University and that this Declaration of Trust shall not be interpreted or construed as a commitment or guarantee that the Board of Operating Trustees shall be eligible to receive any allocation of such student services fee or that, if eligible, the Board of Operating Trustees will receive any guaranteed amount or level of financial support. Any historical allocations of the student services fee to the Trust, the Board of Operating Trustees or the Student Media is not an indication of future allocations, and the Board of Operating Trustees expressly disclaims any reliance on such historical allocations.

### 3. OPERATING TRUSTEES

3.1. Control of Student Media. The Board of Operating Trustees shall (a) operate and control the Student Media, Trust Assets, Media Assets and Media Contracts, (b) acquire and dispose of such additional assets as are reasonably necessary to further the Public Purpose (which such acquisition or disposition of assets shall be reflected on an amendment to Schedule 1.4(q) adopted in accordance with Paragraph 4.7 of this Declaration of Trust), (c) be responsible for the publication, broadcast, distribution, dissemination or other communication of the Student Media, (d) determine the character and policies of all Student Media, (e) enter into contracts with suppliers and vendors and (f) subject to Paragraph 1.2, maintain and control the bank accounts of the Trust. Notwithstanding any provision of this Declaration of Trust to the contrary, all actions, policies and procedures of the Board Operating Trustees and all operations of the Student Media shall be in accord with the Board of Regents' *Rules and Regulations* and the University's *Handbook of Operating Procedures*; provided, that to the extent there is any conflict among the Board of Regents' *Rules and Regulations*, the University's *Handbook of Operating Procedures* and the terms of this Declaration of Trust, the terms of this Declaration of Trust shall govern.

### 3.2. Board Composition.

(a) Voting Members. The Board of Operating Trustees shall have 11 voting members, composed as follows:

(1) College of Communication Students. Three undergraduate students from the College of Communication, elected (two to be elected in even-numbered years and one to be elected in odd-numbered years) by (A) those students certified in writing by the Dean of the College of Communication as being majors in a discipline offered in the College of Communication and (B) those students with less than 60 hours who are registered in the College of Communication as certified by the Dean of the College of Communication. The election

contemplated by this Paragraph 3.2(a)(1) shall be held each year concurrently with the Spring student government election at the University, and shall be conducted in accordance with rules and procedures adopted by the Board of Operating Trustees in their reasonable discretion. No student shall be eligible to be a candidate for election pursuant to this Paragraph 3.2(a)(1) unless he or she has completed, or will have completed by the end of the Spring semester in which the election is held, at least 12 hours of journalism or advertising courses, is in good standing (not on scholastic probation) and has completed at least one semester in residence in the long term at the University. The Dean of the College of Communication shall certify in writing to the Board of Operating Trustees as to the eligibility of any candidate for election pursuant to this Paragraph 3.2(a)(1).

(2) At-Large Students. Three students elected at-large from the student body of the University (one to be elected in even-numbered years and two to be elected in odd-numbered years) in the same election as the editor of The Daily Texan is elected pursuant to Paragraph 4.1(a). A student eligible to be a candidate for election as a voting member under Paragraph 3.2(a)(1) is neither qualified to be a candidate nor eligible to serve as an at-large member of the Board of Operating Trustees.

(3) Faculty. Two members of the voting faculty of the College of Communication (one to be appointed in even-numbered years and one to be appointed in odd-numbered years) and one member of the voting faculty of the McCombs School of Business (to be appointed in even-numbered years), with all three of these faculty members to be appointed directly by the President of the University.

(4) Media Professionals. Two media professionals (one to be appointed in even-numbered years and one to be appointed in odd-numbered years), to be appointed by the President of the University. In determining media professionals eligible for appointment pursuant to this Paragraph 3.2(a)(4), the President of the University shall give preference to media professionals who are graduates of the University.

(b) Terms for Voting Members. Each voting member elected or appointed to the Board of Operating Trustees shall serve a term of two years beginning June 1 of each calendar year. The terms of these voting members shall be staggered in the manner provided for in Paragraph 3.2(a). No voting member of the Board of Operating Trustees shall serve more than four years consecutively.

(c) Resignation and Removal; Vacancies. Subject to Paragraph 3.2(a), the Board of Operating Trustees shall adopt rules and procedures governing the resignation and removal of voting members of the Board of Operating Trustees and the fulfillment of vacancies resulting from the resignation or removal of voting members of the Board of Operating Trustees. All rules and procedures contemplated by this Paragraph 3.2(c) shall be adopted by the Board of Operating Trustees in their reasonable discretion.

(d) Other Members. The President of the Student Government of the University (provided that the President of the Student Government is not otherwise elected as a voting member of the Board of Operating Trustees pursuant to Paragraph 3.2(a)) and the Dean of Students of the University (or his or her designee) shall be non-voting members of the Board of

Operating Trustees. In addition to the foregoing, the Board of Operating Trustees may appoint such other, non-voting members to the Board of Operating Trustees, as the Board of Operating Trustees determines in its reasonable discretion.

3.3. Board Officers. The officers of the Board of Operating Trustees shall be a President, a Vice-President, a Secretary and such other officers as the Board of Operating Trustees may from time to time find necessary or convenient to carry out the duties of the Operating Trustees. Officers shall be elected from among the voting members of the Board of Operating Trustees at the first meeting after June 1 of each year. Officers' terms shall be for one year, but a person serving as an officer is eligible to be reelected the following year.

3.4. Operating Procedures.

(a) Procedures. The Board of Operating Trustees shall establish and maintain controls and procedures governing the operation of the Student Media that are reasonably designed to ensure that the Operating Trustees and the employees, editors, managers, editorial workers and staff members of the Student Media operate the Student Media in a manner consistent with the Public Purpose and in compliance with all Applicable Laws, including, without limitation, the controls and procedures required by Paragraphs 2.2 and 2.3.

(b) Board Meetings. The Board of Operating Trustees shall conduct its meetings in accordance with the Texas Open Meetings Act and shall post all Texas Open Meetings Act notices by and through the Office of the Board of Regents. The Board of Operating Trustees shall maintain its records and the records of the Trust to ensure compliance with the Texas Public Information Act and shall coordinate any responses to Texas Public Information Act requests with the Office of the General Counsel of The University of Texas System.

#### 4. MISCELLANEOUS

4.1. Student Media Officers and Employees.

(a) Editor of The Daily Texan. Concurrently with the student government elections, the Board of Operating Trustees shall arrange for a student publications election on the campus of the University. At such election, the students of the University shall elect the Editor of The Daily Texan. The eligibility of a candidate for Editor of The Daily Texan shall be certified in writing by the Board of Operating Trustees to the Board of Regents, based on standards adopted by the Board of Operating Trustees prior to such election, and shall be approved by the President of the University or his or her designee. The Board of Operating Trustees shall determine the conditions under which such election may be held, including the length of the campaign. The Editor of The Daily Texan shall serve for a term of one year beginning on June 1 of such calendar year, but if the person elected as Editor of The Daily Texan ceases to serve in that capacity prior to the end of such term, a majority of the Board of Operating Trustees shall appoint a replacement to fill out the remainder of the term.

(b) Employment Matters.

(1) Subject to Paragraph 4.1(b)(4) and except as provided in Paragraph 4.1(a) or otherwise limited by this Section 4, the Board of Operating Trustees shall have the power to



select (or establish rules and procedures for the selection of) and employ for the Trust, all employees, editors, managers, editorial workers and staff members of the Student Media; provided, that the President of the University or his or her designee, must consent to the selection of any such person who will be employed by the University or will otherwise be compensated for his or her services.

(2) Subject to Paragraph 4.1(b)(4), all decisions regarding the employment status or discipline of any employee, editor, manager, editorial worker or staff member of the Student Media (including, without limitation, performance evaluations) shall be made in accordance with the University's *Handbook of Operating Procedures*, all other applicable policies and procedures of the University and Applicable Law. Notwithstanding any provision of this Declaration of Trust to the contrary, decisions regarding the employment status or discipline of any employee, editor, manager, editorial worker or staff member of the Student Media who is also an employee of the University shall require the prior written approval of the President of the University or his or her designee.

(3) Not later than April 15 of each fiscal year (a) the Chairman of the Board of Operating Trustees, (b) one additional voting member of the Board of Operating Trustees appointed pursuant to Paragraphs 3.2(a)(1), 3.2(a)(2) or 3.2(a)(3) and (c) the Vice President for Student Affairs of the University shall evaluate and conduct a performance assessment of the General Manager of the Student Media (or any successor), and shall report and make recommendations to the Board of Operating Trustees based on the results of such evaluation and performance assessment.

(4) The Board of Trustees may form or cause the formation of a Nonprofit Corporation which may hire and manage its own employees and, if desirable, contract for use of University facilities and resources. Notwithstanding the foregoing, all employees of the University who report to the Board of Operating Trustees shall comply with the Board of Regent's *Rules and Regulations* and the University's *Handbook of Operating Procedures* to the extent they are applicable and do not conflict with the terms of this Declaration of Trust.

#### 4.2. Board of Regents Oversight.

(a) Financial Reports and Other Information. The Board of Operating Trustees shall furnish to the President of the University and the Chancellor of The University of Texas System the following information for distribution to such additional persons as each of the foregoing may direct:

(1) within 90 days following the close of each fiscal year, a balance sheet of the Trust as of the end of such year and statements of operations and cash flows for such year, certified by a firm of certified public accountants of established reputation selected by the Board of Operating Trustees, and prepared in accordance with generally accepted accounting principles;

(2) within 45 days after the end of each of the first three fiscal quarters of each fiscal year a balance sheet of the Trust as of the end of such quarter and unaudited statements of operations and of cash flows for such quarter and for the current fiscal year to the

end of such quarter, setting forth in comparative form the operating budget for the corresponding periods for the current fiscal year;

(3) as soon as available, but in any event not later than 30 days prior to the beginning of each new fiscal year, an operating budget for the Trust for such fiscal year approved by the Board of Operating Trustees and prepared in accordance with Paragraph 4.2(b);

(4) within 90 days following the close of each fiscal year, the annual certifications required by Paragraphs 2.2 and 2.3;

(5) within 90 days following the close of each fiscal year, evidence of insurance required by Paragraph 4.3; and

(6) with reasonable promptness, such other notices, information and data with respect to the Student Media or the Trust Assets as the Board of Regents, the President of the University or their designees may from time to time reasonably request.

(b) Operating Budget Requirements. The Board of Operating Trustees shall adopt reasonable and financially prudent budgetary controls and procedures. Notwithstanding any provision of this Declaration of Trust to the contrary, the Board of Operating Trustees shall not adopt an operating budget for the Trust that provides for the Trust to incur a net operating loss for any fiscal year without the prior written approval of the Board of Regents.

(c) Material Event Notification. The Board of Operating Trustees shall promptly notify in writing the Vice Chancellor and General Counsel of The University of Texas System, the Office of the Board of Regents, the President of the University or their respective designees of any material adverse change in the operations, results of operations, prospects, assets, liabilities or condition, financial or otherwise, of the Trust or any of the Student Media which has had, or could reasonably be concluded to have, a material adverse effect on the operations, results of operations, prospects, assets, liabilities or condition, financial or otherwise, of the Trust or any Student Media. The Board of Operating Trustees shall promptly notify in writing the Board of Regents and the President of the University of any and all litigation or governmental proceeding or investigation brought, or, to the knowledge of any Operating Trustee, threatened, against the Trust, any Student Media, the Trustees, the Board of Regents, the University, the Board of Operating Trustees, any Operating Trustee or any officer, director or employee of any of the foregoing.

(d) Inspection Rights. The Board of Operating Trustees shall permit the Board of Regents or any authorized representative or agent thereof to visit, inspect and audit the properties used by any of the Student Media and their business and financial records, and to discuss the business and finances of any Student Media with its officers and directors, during normal business hours upon reasonable notice.

4.3. Liability and Casualty Insurance. The Board of Operating Trustees, on behalf of the Trust, shall at all times maintain with financially sound and reputable insurers liability and casualty insurance coverage of the types and in the amounts set forth on Schedule 4.3 to this Declaration of Trust (as such schedule may be amended or supplemented from time to time). The Board of Operating Trustees shall cause the Trust to maintain the insurance coverage

required by this Paragraph 4.3 in force, except as otherwise determined by the Board of Regents. Such policies of insurance shall name the Trustees, the Operating Trustees, the Board of Regents, The University of Texas System and the University as additional insureds and as loss payees and shall prohibit cancellation or substantial modification, termination or lapse in coverage by the insurer without at least 30 days prior written notice to the Board of Regents, except for non payment of premium, in which case such policies shall provide for at least 10 days prior written notice to the Board of Regents. Annually, the Board of Operating Trustees shall furnish to the Board of Regents evidence of the insurance required to be maintained by this Paragraph 4.3 in form and substance reasonably satisfactory to the Board of Regents.

#### 4.4. Indemnification; Exculpation.

(a) Indemnification. The Board of Operating Trustees shall, or shall cause the Trust to, indemnify, defend and hold harmless the Trustees, the Board of Regents, The University of Texas System and the University and their respective officers, employees, agents, heirs, successors and assigns (each, an “Indemnified Person” and collectively, the “Indemnified Persons”), out of the assets of the Trust, including, without limitation, the insurance coverage available under any insurance policies maintained on behalf of the Trust pursuant to Paragraph 4.3, from and against (and shall on demand reimburse them for), any and all losses, claims, damages, liabilities, obligations, fines, penalties, judgments, settlements, costs, expenses and disbursements (including attorneys’ fees and expenses) (collectively, “Losses”) imposed on, incurred by or asserted against any Indemnified Person in any way relating to or arising from this Declaration of Trust or the operations, publication, broadcast, distribution, dissemination or other communication of the Student Media. **THE PARTIES TO THIS DECLARATION OF TRUST INTEND THAT THE INDEMNIFIED PERSONS BE INDEMNIFIED PURSUANT TO THIS DECLARATION OF TRUST FROM AND AGAINST LOSSES RESULTING FROM, BASED UPON OR ARISING OUT OF THE SOLE, PARTIAL OR CONCURRENT NEGLIGENCE OF AN INDEMNIFIED PERSON OR ANY PERSON WHOSE NEGLIGENCE, DUTIES, ACTIONS OR LIABILITIES MAY BE ATTRIBUTED OR IMPUTED TO AN INDEMNIFIED PERSON.**

(b) EXCULPATION; DISCLAIMER OF LIABILITY. WITHOUT WAIVING OR MODIFYING ANY PROVISION OF THIS DECLARATION OF TRUST OR OTHERWISE LIMITING THE AUTHORITY OF THE BOARD OF REGENTS AND THE TRUSTEES TO ENFORCE THE TERMS OF THIS DECLARATION OF TRUST OR ADMINISTER THE BOARD OF REGENTS’ *RULES AND REGULATIONS* AND THE UNIVERSITY’S *HANDBOOK OF OPERATING PROCEDURES*, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE TRUSTEES, ON BEHALF OF THE INDEMNIFIED PERSONS, EXPRESSLY DISCLAIM ANY AND ALL DUTIES, OBLIGATIONS OR RESPONSIBILITIES IN ANY WAY RELATING TO OR ARISING FROM THE EDITORIAL, ADVERTISING OR OTHER CONTENT OF ANY STUDENT MEDIA. THE INDEMNIFIED PERSONS HAVE NOT INVESTIGATED, MONITORED OR TAKEN OTHER ACTIONS TO ENSURE THAT THE STUDENT MEDIA ARE OPERATED IN COMPLIANCE WITH APPLICABLE LAWS, NOR HAVE THEY UNDERTAKEN OR ASSUMED ANY DUTY, OBLIGATION OR RESPONSIBILITY TO DO SO. THE INCLUSION OF ANY STUDENT MEDIA UNDER THIS DECLARATION OF TRUST SHALL NOT BE CONSIDERED AS THE APPROVAL OR ENDORSEMENT OF THE

EDITORIAL, ADVERTISING OR OTHER CONTENT OF ANY STUDENT MEDIA BY ANY INDEMNIFIED PERSON. THE INDEMNIFIED PERSONS ASSUME NO LIABILITY OR RESPONSIBILITY FOR THE GOODS OR SERVICES SOLD OR OFFERED FOR SALE THROUGH ADVERTISING IN THE STUDENT MEDIA.

(c) Interpretation. This Paragraph 4.4 shall not be interpreted as relieving the Trustees or the Board of Operating Trustees of liability for (1) a breach of trust committed (A) in bad faith, (B) intentionally or (C) with reckless indifference to the interest of a beneficiary of the Trust or (2) any profit derived by a Trustee or a member of the Board of Operating Trustees from a breach of trust.

4.5. Conversion of Trust. The Board of Operating Trustees may establish an endowment or other reserve fund (the "Endowment") for the support of the Student Media. Upon establishment of an Endowment with an aggregate principal amount equal to or exceeding \$5,000,000 (as adjusted for inflation from and after the Effective Date using the Consumer Price Index), the Board of Regents and the Board of Operating Trustees shall negotiate in good faith for the conversion of the Trust into a Nonprofit Corporation. Notwithstanding the foregoing, the Board of Operating Trustees, the Trustees and the Board of Regents acknowledge and agree that the provisions of this Paragraph 4.5 shall not be interpreted as constituting or giving rise to a binding obligation of the Board of Operating Trustees, the Trustees or the Board of Regents to approve or recommend for approval the conversion of the Trust into a Nonprofit Corporation.

4.6. Notices. All notices, certifications and other communications given in accordance with this Declaration of Trust shall be in writing and shall be deemed given if delivered by hand, mailed by registered or certified mail (return receipt requested), sent by facsimile or sent by Federal Express or other recognized overnight courier to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to the Trustees or the Board of Regents:

[\_\_\_\_\_]
[\_\_\_\_\_]
[\_\_\_\_\_]
[\_\_\_\_\_]

(b) if to the Board of Operating Trustees:

[\_\_\_\_\_]
[\_\_\_\_\_]
[\_\_\_\_\_]
[\_\_\_\_\_]

Any of the above addresses may be changed at any time by notice given as provided above; provided, that any such notice of change of address shall be effective only upon receipt. All notices, certifications and other communications given in accordance with this Declaration of Trust shall be deemed received on the date of delivery, if hand delivered, on the date of receipt, if transmitted by facsimile, three business days after the date of mailing, if mailed by registered

or certified mail, return receipt requested, and one business day after the date of sending, if sent by Federal Express or other recognized overnight courier.

4.7. Amendments.

(a) Except as otherwise set forth in Paragraph 4.7(b), the provisions of this Declaration of Trust, including, without limitation, any schedule attached hereto, may be amended from time to time, only with the prior written approval of the President of the University and the Board of Operating Trustees.

(b) Notwithstanding Paragraph 4.7(a), if the Board of Operating Trustees authorizes additional student media to become Student Media pursuant to Paragraph 1.4(v), the Board of Operating Trustees shall submit in writing to the President of the University a proposed amendment to Schedule 1.4(v). Such proposed amendment to Schedule 1.4(v) shall become effective on the 30th day following its receipt by the President of the University unless objected to in writing by the President of the University prior to such date.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned Trustees and Operating Trustees have executed and delivered this Declaration of Trust to be effective as of the Effective Date.

**TRUSTEES:**

**THE BOARD OF REGENTS OF THE  
UNIVERSITY OF TEXAS SYSTEM,  
as TRUSTEES**

By: \_\_\_\_\_  
Name: Barry D. Burgdorf  
Title: Vice Chancellor and  
General Counsel  
The University of Texas System

**OPERATING TRUSTEES:**

By: \_\_\_\_\_  
Name: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_

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Name: \_\_\_\_\_

**ACKNOWLEDGED:**

**THE UNIVERSITY OF TEXAS  
AT AUSTIN**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**SCHEDULE 1.4(k)**

**FCC LICENSES**

**SCHEDULE 1.4(g)**

**MEDIA ASSETS**



**SCHEDULE 1.4(v)**

**STUDENT MEDIA**

The Daily Texan

Cactus

Texas Student Television

KVRX Radio

Texas Travesty

**SCHEDULE 2.3**

**COORDINATION WITH EDUCATIONAL ACTIVITIES**

**SCHEDULE 4.3**

**INSURANCE**

6. **U. T. System Board of Regents: Chancellor's Quarterly Update including comments on Statement on Board Accountability by the Association of Governing Boards of Universities and Colleges**

REPORT

Chancellor Yudof will provide a quarterly update on U. T. System activities including comments on the Statement on Board Accountability by the Association of Governing Boards of Universities and Colleges.

7. **U. T. System: Update on implementation of the U. T. System Strategic Plan**

REPORT

Dr. Geri H. Malandra, Interim Executive Vice Chancellor for Academic Affairs and Vice Chancellor for Strategic Management, will present an update on implementation of the U. T. System Strategic Plan following the Strategic Plan and Management Outline and the draft Investment Reporting Matrix attached on Pages 40 - 44.

## Strategic Plan and Management The University of Texas System

Implementation Update  
February 2007

The UT System is implementing specific strategic initiatives and tracking progress and outcomes through the following steps. These steps aggregate from investments in specific facilities and faculty recruitment, to campus-level and all-System oversight and reporting.

1. Individual Investment Reporting – annual reports on progress and outcome measures for all special investments. Metrics include, as relevant to project: mission alignment; leveraging of additional external funding (philanthropic and competitive research grants; publications and citations; patent applications and awards; licensing revenue; faculty honors. Customized measures may be added in particular cases.
  - PUF investments for UT System competitiveness initiative
  - Faculty STARS investments
  - PUF contributions to Emerging Technology Fund/Enterprise Fund projects
  - Regents' Research Scholar investments
  - Special investments in Nursing and Public Health
2. Facilities Investment Reporting – Beginning in May 2007, proposals to the Board for facilities investments will include specific progress/output measures to track. These may include: increase in space for research or classrooms, increase in research expenditures per square foot of research space. Customized measures may be added in particular cases.
3. Campus-level Reporting – each campus identifies and reports on the progress and impact of its most critical initiatives and investments in the annual compact. The compacts are 18-24 month extracts of the campuses' longer-range planning.
4. Campus-level Strategic Planning – by 2007-08, each campus will have completed a longer-range strategic plan that identifies areas of distinctive strength, and that reflects as appropriate the goals of the UT System strategic plan. The campus master plans are to be aligned with the strategic plan.
5. UT System Accountability and Performance Reports – these annual reports, presented in February to the Board, track and analyze performance on over 100 key measures, and compare institutional performance to individualized lists of peers. These indicators are used to inform assessment of institutional and presidents' performance.
6. Annual Reports Schedule for Board on Specific Topics and Strategic Initiatives – these reports analyze in greater detail progress on high priority topics, accountability goals, and strategic initiatives. See schedule on following pages for annual reports and special topic reports

**ANNUAL REPORT SCHEDULE: STRATEGIC INITIATIVES AND ACCOUNTABILITY GOALS**

<b>Report</b>	<b>Agenda</b>	<b>Mailing</b>	<b>Responsible Office(s)</b>
<b>FEBRUARY</b>			
Accountability and Performance Report	X		Institutional Planning and Accountability
Student Learning (CLA)	X (Academic Affairs)		Academic Affairs
National Survey of Student Engagement (NSSE)	X (Campus Life)		
Summary of Fire/Safety LERR investments from previous fiscal year	X (Facilities Planning) New	X	Facilities Planning
<b>MAY</b>			
Diversity/Demographics	X (Campus Life)		Institutional Studies and Policy Analysis
Institutional Graduation Rates - Assessment of Progress Toward Target	X (AAC) New		Academic Affairs/ Institutional Studies and Policy Analysis
Post-tenure Review Reports	X (AAC & HAC)		Academic Affairs/Health Affairs
Endowment Compliance	X New		External Relations
Research (expenditures and assessment of campus infrastructure)	X		Research & Technology Transfer
Technology Transfer trends	X New		
STARS	X		Academic Affairs/Health Affairs
<b>AUGUST</b>			
Development operations assessment (monitors gift giving performance)	X		External Relations
Small class reports	X (Docket)		Academic Affairs/Health Affairs
Strategic plan and facilities investments	X New		Strategic Management, Facilities Planning, Business Affairs
Strategic initiatives, and indicators [see next page for list]	X New		
<b>SEPTEMBER</b>			
Organized Research Units approved in previous fiscal year		X New	Academic Affairs/Health Affairs
Academic program approvals, mergers, discontinuations approved in previous fiscal year		X New	Academic Affairs/Health Affairs
Nonprominent namings approved in previous fiscal year		X New	Academic Affairs/Health Affairs/External Relations
<b>NOVEMBER</b>			
Affordability and Access (HB 3015, TEC 51.4031)		X	Chancellor/Academic Affairs
Timely Graduation Report [HB 1172 (79th Leg)]		X	Academic Affairs
Impact of capital investments	X New		Strategic Management, Academic Affairs, Health Affairs, Facilities Planning
<b>DECEMBER</b>			
Charter Schools Report (One - Board of Regents; One - TEA)		X	U.T. Austin/Institute for Public School Initiatives

### The UT System: New Strategic Initiatives, 2006-07

<i>Topic and Offices</i>	<i>Timeline</i>
<i>Academic Affairs</i>	
Enrollment Management (admission standards, tuition modeling, financial aid) <i>(Academic Affairs with Strategic Management, Business Affairs)</i>	Initiate in January 2007 Campus outlines/plans due Fall 2007
Community College initiative <i>(Academic Affairs and IPSI)</i>	White paper draft 12.2006; develop proposal for staffing 12.2006 form advisory group, winter 2007 report in fall 2007
Increasing undergraduate STEM majors – UTS workshop <i>(Academic Affairs)</i>	Trends data drafted; workshop planned for spring 2007 report in fall 2007
Faculty /Administrative Leadership Development <i>(Academic Affairs, Academic Fellow, with FAC)</i>	Academic Fellow, 2006-07, preliminary workshops 2007 recommendations in June 2007
Doctoral/Postdoctoral Task Force <i>(Academic and Health Affairs)</i>	Convened spring 2006 final report due summer 2007
Research Collaborations (symposium) <i>(Academic and Health Affairs; Research and Tech Transfer)</i>	Planning group formed, series to begin winter/spring 2007 report in summer 2007
Global Initiatives	Planning group formed, survey in 2007 recommendations by fall 2007
Campuses' academic program review analysis <i>(Academic Affairs)</i>	Plan outlined and presidents briefed winter 2007, cycle begins spring 2007 first reports, fall 2008
Arts programs (examples; emphasis)	Survey to be designed, implemented summer, 2007
<i>Health Affairs</i>	
Expand JAMP/diversity programs	Tracking is ongoing, reports on progress for specific metrics on annual basis
Access to care/uninsured	Ongoing; Code Red
GME	Ongoing with OGR
Electronic order entry, joint purchasing	June 2007
Electronic patient records	Ongoing
Reimbursement efficiencies	Ongoing
Centralized payroll services	On hold
Medical Education Initiative	Ongoing
Cognitive Neuroscience	Planning Meeting – 12/15/06
Business Planning Workshop	Planning – June 2007
Leadership Training	Uncertain

<i>Topic and Offices</i>	<i>Timeline</i>
<i>Research</i>	
Pursue topics for potential System – wide centers (energy, bioinformatics, drug development, security) (with Academic and Health Affairs)	Brainstorming groups formed, recommendations in 2007
Nanoelectronics	Report on progress of collaboration
System symposia	
Drug development institute	
Technology Transfer services	
Technologies showcase	
Research development services	
<i>Business Affairs</i>	
Bearing Point shared services: Arlington Data Center; etc.	
Productivity ratios and cross-tab analyses	
Development of five-year campus financial plans	
<i>Communication</i>	
Development plans and accountability	Annual reports to Board
UT System communication: TV series	Series to begin fall 2006, continue in 2007
<i>Strategic plan/accountability</i>	
Revise Compact guidelines	To be implemented for compacts due in fall 2007
Revise Accountability Framework	To be implemented for Feb 2008 report



Investment Reporting Matrix  
The UT System

Scope and purpose:

- The scope of this matrix includes major investments of PUF and other System resources.
- The purpose is to inform the board of progress and impact of these investments: mission alignment; leveraging; and specific outcomes.
- Reporting to the Board will occur on an annual basis, by institution and by fund.
- An inventory of investments will be maintained and updated annually, by project, by institution and by funding source.
- In addition to these in-depth reports, the overall impact of these investments will be included in institutional compacts, and reflected in the annual accountability data trends.
- Moving forward, progress and outcome indicators for each project will be specified when investments are reviewed and approved. Beginning in May 2006, Board agenda materials will be modified to accommodate these notations.

Investments to track:

STARS

Academic Affairs  
Health Affairs

New PUF Investments

ETF/EFT Fund  
Regents Research Scholars  
Special PUF Projects

LERR-Public Health Awards

Special LERR investments (Libraries)

Medical Malpractice Liability Fund – Nursing Initiative

Facilities Investments

TRB PUF Matching projects  
CIP Metrics

Indicators to track: These will be customized to particular kind of investment and project. A preliminary list, which will be customized and amended for particular projects, includes:

- Initial investment
- Leveraged additional external funding, including private philanthropy and federal grants (numbers, amounts)
- Evidence of technology transfer (as appropriate) – patent applications, awards, intellectual property revenue
- Number of faculty recruited/retained
- Use of buildings – research expenditures/square foot of research space; SCHs produced in classroom buildings
- Published research
- National/international rankings and evidence of faculty recognition (major prizes, academy appointments)
- Evidence of economic impact (spin-offs; number of jobs created)

8. **U. T. System: Presentation of the Accountability and Performance Report for 2006-2007 and request to accept Report**

RECOMMENDATION

Dr. Geri H. Malandra, Interim Executive Vice Chancellor for Academic Affairs and Vice Chancellor for Strategic Management, will present the U. T. System Board of Regents' Accountability and Performance Report for 2006-2007 following the PowerPoint presentation attached on Pages 1 - 10 of the Supplemental Materials (Volume 2) of the Agenda Book. Following the presentation, the Board will be asked to accept the Report.

BACKGROUND INFORMATION

The Report, separately bound in a blue notebook, was mailed to the Board with this Agenda Book. Highlights of the Report may be found on the pages following the Highlights tab in the Report.

Additional copies of the Report will be available at the meeting.

9. **U. T. System Board of Regents: Legislative Update for the 80th Legislative Session**

REPORT

Vice Chancellor Barry McBee will provide a legislative update for the 80th Legislative Session.

10. **U. T. System: Report on The University of Texas System Borderplex technology-transfer shared services initiative**

REPORT

Interim Vice Chancellor for Research and Technology Transfer, Dr. Arjuna Sanga, will report on The University of Texas System Borderplex technology-transfer shared services initiative involving U. T. Health Science Center - San Antonio, U. T. San Antonio, U. T. Pan American, and U. T. Brownsville.

## BACKGROUND INFORMATION

The University of Texas System must continually enhance its national reputation in multidisciplinary, multi-institutional research. Through the 15 institutions, U. T. System will lead the nation in forming and implementing innovative and diverse partnerships within and external to the U. T. System to bring the "best and the brightest" together to solve pressing national needs in areas such as biotechnology, nanotechnology, and energy. Such partnerships are critical in keeping the nation competitive in a global marketplace by generating intellectual capital that can be used to spur economic development by generating new technologies and high technology companies. It follows that an integral part of the research mission of the U. T. System is Intellectual Property management. Successful Intellectual Property management benefits the university, the public, researchers, students, communities in which the institutions reside, the State of Texas, and the nation. The strategic plan for Intellectual Property management for regional technology transfer, in the form of The University of Texas System Borderplex technology-transfer shared services initiative, is directed toward increasing these benefits.

This initiative creates efficiencies in the U. T. System by combining two technology transfer offices and providing resources that can be shared across four institutions. In this manner, smaller institutions will gain access to resources, infrastructure, and highly skilled technology transfer personnel of larger institutions. Accordingly, new invention disclosures at any one of the four institutions should receive consistent review, protection, and marketing. The first phase of the shared initiatives program is underway. U. T. Health Science Center - San Antonio and U. T. San Antonio have signed a memorandum of understanding creating a joint technology transfer office and are currently in the process of hiring an Assistant Vice President/Director for that office. The second phase involves developing a new position with the U. T. System Research and Technology Transfer department. This position will report to the Associate Vice Chancellor for Technology Transfer with a dotted line responsibility to the Director of the joint office and will have responsibility for providing education, outreach, and marketing services for the four Borderplex institutions - U. T. Health Science Center - San Antonio, U. T. San Antonio, U. T. Pan American, and U. T. Brownsville. Executive Vice Chancellor for Health Affairs Shine has approved funding for a two-year pilot program through rebates from The University of Texas System Professional Medical Liability Benefit Plan.

### **11. U. T. System: Report on Public Health and Wellness**

#### REPORT

Joseph McCormick, M.D., Dean of the School of Public Health, Regional Academic Health Center at Brownsville and the 2006 Chancellor's Health Fellow in Public Health, and Executive Vice Chancellor for Health Affairs Shine will outline public health issues, trends, concerns, and the U. T. System Wellness Initiative.



## TABLE OF CONTENTS FOR ACADEMIC AFFAIRS COMMITTEE

Committee Meeting: 2/7/2007

Board Meeting: 2/8/2007  
Austin, Texas

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

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>Convene</b>	9:30 a.m. <i>Chairman Krier</i>		
1. <b>U. T. Austin: Authorization to establish M.A. and Ph.D. degree programs in Italian Studies</b>	9:30 a.m. <b>Action</b> <i>President Powers Dr. Malandra</i>	<b>Action</b>	<b>47</b>
2. <b>U. T. El Paso: Authorization to establish a Ph.D. degree program in Teaching, Learning and Culture</b>	9:33 a.m. <b>Action</b> <i>President Natalicio Dr. Malandra</i>	<b>Action</b>	<b>48</b>
3. <b>U. T. San Antonio: Authorization to establish a Ph.D. degree program in Interdisciplinary Learning and Teaching</b>	9:36 a.m. <b>Action</b> <i>President Romo Dr. Malandra</i>	<b>Action</b>	<b>50</b>
4. <b>U. T. Tyler: Authorization to establish a Ph.D. degree program in Human Resource Development</b>	9:39 a.m. <b>Action</b> <i>President Mabry Dr. Malandra</i>	<b>Action</b>	<b>52</b>
5. <b>U. T. Permian Basin: Request to name streets on the U. T. Permian Basin campus</b>	9:42 a.m. <b>Action</b> <i>President Watts</i>	<b>Action</b>	<b>54</b>
6. <b>U. T. Arlington: Authorization to lease approximately 1.12 acres of land and improvements located at 202 East Border Street, Arlington, Tarrant County, Texas, to the Arlington Business Accelerator, LLC, a Texas limited liability company, for use as a technology transfer and business incubator operated by the tenant; authorization to sublease back from the Arlington Business Accelerator, LLC, 9,421 square feet of space in the improvements for the U. T. Arlington Office of Grants and Contracts; and finding of public purpose</b>	9:45 a.m. <b>Action</b> <i>President Spaniolo Ms. Mayne Dr. Sanga</i>	<b>Action</b>	<b>57</b>

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
7. <b>U. T. Arlington: Authorization to ground lease approximately 0.654 of an acre located at 1115 Greek Row Drive, Arlington, Tarrant County, Texas, to Delta Upsilon Foundation for a term of 30 years with two 10-year renewal options, for construction and operation of a fraternity house; and finding of public purpose</b>	9:50 a.m. <b>Action</b> <i>President Spaniolo</i> <i>Ms. Mayne</i>	<b>Action</b>	<b>62</b>
8. <b>U. T. System: (a) Report on restructuring the tuition process for the Bill Archer Center, Washington, D.C., and (b) adoption of an extension program fee</b>	9:55 a.m. <b>Action</b> <i>Dr. Malandra</i> <i>Mr. Shute</i>	<b>Action</b>	<b>66</b>
9. <b>U. T. System: Report from academic presidents, Interim Executive Vice Chancellor Malandra, and Academic Affairs Committee members on graduation rates</b>	10:00 a.m. <b>Report</b> <i>Presidents</i> <i>Dr. Malandra</i>	Not on Agenda	<b>67</b>
10. <b>U. T. System Board of Regents: Update regarding admissions policies of U. T. System academic institutions</b>	10:20 a.m. <b>Report</b> <i>Dr. Malandra</i>	Not on Agenda	<b>67</b>
<b>Adjourn</b>	10:30 a.m.		

1. **U. T. Austin: Authorization to establish M.A. and Ph.D. degree programs in Italian Studies**

**RECOMMENDATION**

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

- a. establish M.A. and Ph.D. degrees in Italian Studies at U. T. Austin;
- b. submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action; and
- c. authorize the Interim Executive Vice Chancellor for Academic Affairs to certify on behalf of the Board of Regents that relevant Coordinating Board criteria for approval by the Commissioner of Higher Education have been met.

**BACKGROUND INFORMATION**

**Program Description**

U. T. Austin proposes an interdisciplinary graduate degree program in Italian Studies that will offer both the Master of Arts (M.A.) and Doctor of Philosophy (Ph.D.) degrees. The M.A. degree will require a minimum of 30 semester credit hours, and the Ph.D. will require a minimum of 36 hours beyond the Master's degree, in addition to the hours required to complete the dissertation. The program will be administered by the Department of French and Italian in the College of Liberal Arts and by the Graduate School of U. T. Austin, and it will incorporate courses and expertise from the graduate programs in Art History, Classics, Comparative Literature, English, History, and Music. The objective of the program is to prepare students for careers in teaching and/or scholarly research, but it will also offer appropriate background in analysis, specific language competency, and specialized cultural knowledge for individuals seeking both public and private sector positions. The anticipated date for enrolling the first students is Fall 2008.

**Need and Student Demand**

The proposed program in Italian Studies would be the only graduate program in this area of study in the State of Texas and in the Southwest region of the United States. It would address a national need to provide specialists trained in the languages and cultures of other parts of the world. Enrollment in Italian language programs has

increased nationwide 46% from 1995 to 2002, and at U. T. Austin enrollment in the undergraduate Italian program has increased 66% from 1990 to 2003. In 2005, the total number of students enrolled in undergraduate Italian language courses was 566. There is a growing and recognized need for graduates in the field of Italian Studies. Italy occupies a prominent place in the areas of contemporary design, fashion, and architecture, while remaining central in the studies of classical civilization and Renaissance art, as well as European history, music, opera, and literature.

### Program Quality

Italian Studies faculty members of the department have earned both national and international reputations for quality research and participation in the professional activities of the discipline. U. T. Austin course offering and facilities also compare very favorably with other institutions of higher education offering graduate degree programs in Italian Studies. The program will emphasize quality training and career placement through a rigorous academic environment.

### Program Cost

The cost of operating the program across five years is approximately \$945,225. This includes \$796,795 for faculty salaries; \$136,730 for teaching assistants; \$8,000 for administrative support; and \$3,700 for supplies and materials. Existing resources and faculty at U. T. Austin are currently in place to support the graduate program in Italian Studies. Existing funding provided to the Department of French and Italian by the College of Liberal Arts will be reallocated within the department to support the program in Italian Studies.

## **2. U. T. El Paso: Authorization to establish a Ph.D. degree program in Teaching, Learning and Culture**

### RECOMMENDATION

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

- a. establish a Ph.D. in Teaching, Learning and Culture at U. T. El Paso; and
- b. submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action.

## BACKGROUND INFORMATION

### Program Description

U. T. El Paso proposes to establish a Ph.D. program in Teaching, Learning and Culture that will prepare a new generation of education faculty from diverse backgrounds to address the compelling need for research in teaching and learning across the State of Texas, the nation, and the global community.

The program's strength is built on research and teaching strengths in the department along with a strong collaboration among faculty from other departments in the Colleges of Education, Liberal Arts, and Science that will foster interdisciplinary scholarship and research in such critical areas as (a) Language Learning, Biliteracy, and Cognition; (b) Mathematics, Science, and Technology Education; and (c) the Social Context of Education. The faculty from the Department of Teacher Education, in partnership with faculty from the College of Liberal Arts and the College of Science, have the expertise to address a large spectrum of educational issues in the institution's unique binational, bicultural and bilingual urban setting with research focusing on communication, culture, and cognition in teaching and learning, and in important need areas with particular relevance for El Paso, the southwest border region, Texas, and beyond. U. T. El Paso is located on the U.S./Mexico border and serves the largest border metroplex in the world. This urban metropolitan area is composed of the cities of El Paso (population 700,000) and its Mexican sister city, Juarez (population 1.5 million), and it offers the opportunity to prepare educational researchers and professionals to serve in dynamic, culturally diverse, urban communities. Candidates will study in this rich multicultural, bilingual, binational, urban environment, and will have the opportunity to become knowledgeable about implications of shifting demographics, cross-cultural teaching, learning, and cognition.

### Need and Student Demand

There is a lack of Ph.D. programs in Texas and the United States that emphasize teaching and learning for the culturally and linguistically diverse students who continue to grow in numbers throughout the nation. There is also a national need to prepare a significant number of minority scholars/researchers in the field of teacher education. The disproportionately low enrollment and graduation rate of students of color in doctoral programs reinforces and perpetuates the lack of diversity among higher education faculty. U. T. El Paso is one of the few universities in the nation that has more than 80% minority students (mostly Hispanic) at both the undergraduate and graduate (master's degree) levels. It is anticipated that 60% of the students and graduates of the proposed doctoral program will be from minority backgrounds. The Ph.D. program in Teaching, Learning and Culture will address the national need to prepare a significant number of minority scholars/researchers, as well as the goals articulated by the Texas Higher Education Coordinating Board.



### Program Quality

The Teacher Education Department at U. T. El Paso has a consistent record of scholarly accomplishment and research activity: the faculty has authored or coauthored 65 books, 374 refereed articles, and 64 book chapters. The faculty also has a strong record of grant writing accomplishments. Within the last seven years (1998-2005), department faculty, in the role of Principal Investigator or Coprincipal Investigator, has received 43 awards totaling \$37,286,600. Within the last two years (2003-2005), teacher education faculty have received 17 awards totaling \$12,344,000. These external funds have supported research programs that have systematically involved graduate students. Current and anticipated faculty recruitment will continue to enhance the quality of the program.

### Program Cost

The expenditures for the first five years of the program are anticipated to be \$1,356,219. This includes \$327,181 for three new faculty positions over five years, \$540,000 for teaching/research assistant positions, \$371,638 for additional staff, \$35,500 for library resources, and \$81,900 for equipment and supplies. These costs will be met from credit hour formula funding; Library, Equipment, Repair and Rehabilitation (LERR) allocations already awarded; and reallocation of existing university resources, including formula-generated excellence funds. It is anticipated that external funds will cover an increasing portion of the program's cost after the initial development period.

### **3. U. T. San Antonio: Authorization to establish a Ph.D. degree program in Interdisciplinary Learning and Teaching**

#### RECOMMENDATION

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

- a. establish a Ph.D. in Interdisciplinary Learning and Teaching degree program at U. T. San Antonio; and
- b. submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action.

## BACKGROUND INFORMATION

### Program Description

U. T. San Antonio proposes to offer a Ph.D. in Interdisciplinary Learning and Teaching degree program. The program is designed to prepare students to be leading professionals in the field of educational instruction development and presentation. Students will receive training designed to prepare them to examine and research the interdisciplinary issues and perspectives of learning, teaching, and curricular development associated with education for culturally and economically diverse populations.

Students admitted to the program will take 60 semester credit hours of post-master's coursework. The program requires 48 hours of organized coursework beyond the master's degree distributed as follows: 15 hours of research methods courses required for all students, 18 hours of core content courses required for all students, nine hours of designated electives, and six hours of electives chosen by the student in consultation with the doctoral program advisor, which may include courses in the student's discipline area of focus, such as biology or history. The program also requires three hours of doctoral research seminar and nine hours of dissertation.

### Need and Student Demand

Culturally effective pedagogy has been associated with higher levels of educational success in minority children, yet most advanced degree programs do not train students to develop and implement appropriate instructional practices for minority and educationally disadvantaged children. Doctoral-level researchers who are trained to develop instructional techniques and delivery mechanisms that can increase educational success in children from diverse backgrounds can contribute to the goals of *Closing the Gaps* by 2015. A recent survey of 275 current and 175 recently-graduated U. T. San Antonio master's students in the field of education demonstrated the need to address curriculum development issues at U. T. San Antonio. In addition, a survey among prospective employers indicated strong support for the development of a doctoral degree program in Interdisciplinary Learning and Teaching. The majority of job site respondents stated they employed individuals who would be interested in the proposed program, and 75% reported that there would be job opportunities for individuals with this doctoral degree within their school, school district, university, or agency.

### Program Quality

The Department of Interdisciplinary Learning and Teaching has 25 tenured and tenure-track faculty members who will comprise the core faculty. All are active, publishing researchers who are capable of teaching courses and supervising student research in the proposed program. Eleven support faculty from other departments in the College of Education and Human Development will also contribute to the program through teaching and student supervision. The Department of Interdisciplinary Learning and Teaching recently moved into new space on the 1604 Campus that is adequate to

support the program needs, including space for doctoral students. In addition, there is a reading clinic located on the Downtown Campus that will accommodate doctoral students whose research questions focus on literacy. Students will have access to state-of-the-art computer labs, as well as observation labs, to accommodate individual and group research projects. Current equipment is adequate to meet the needs of the program.

#### Program Cost

The cost of operating the program across five years is approximately \$1,287,900. This includes \$540,000 for faculty salaries, \$82,500 for administrative support, \$470,400 for graduate student support, \$125,000 for staff support, \$50,000 for library and information technology resources, and \$20,000 for equipment, supplies, and materials. Revenues of \$316,670 from formula funding, \$626,000 from reallocation of the Department of Interdisciplinary Learning and Teaching's nontenure-track faculty budget, and the reallocation of \$500,000 in existing university resources are expected to be sufficient to fully fund the program.

#### 4. **U. T. Tyler: Authorization to establish a Ph.D. degree program in Human Resource Development**

#### RECOMMENDATION

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

- a. establish a Ph.D. in Human Resource Development degree program at U. T. Tyler; and
- b. submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action.

#### BACKGROUND INFORMATION

##### Program Description

U. T. Tyler proposes to offer a Ph.D. degree program in Human Resource Development (HRD). The goal of the Ph.D. is to prepare graduates to be leading researchers, practitioners, and faculty in workplace performance. The 60-hour program will include the study of theory, processes, practices, and application in the areas of individual development, career development, performance management, and organization and

system development. The emphasis will be on research and field research. The program requires 18 hours of core courses, 15 hours of research courses, nine hours of specialization courses chosen in consultation with the program advisor, three hours of field experience, and 15 hours of dissertation.

Another unique element of the program that is not part of the curriculum but contributes to the student's overall experience is the Business Academy, a two-year collaborative among a participating business, a faculty member, and a doctoral student. Students and faculty in the Business Academy will conduct research within the business, apply findings to improve the business partner's workforce issues, and produce publishable research.

### Need and Student Demand

Globalization, rapid changes in technology, restructured and reengineered workplaces, shifts in the labor market, and the need to reduce costs and increase productivity have all contributed to the demand for professionals capable of developing talent and improving performance in the workplace.

The Department of Human Resource Development and Technology has participated in a cooperative Ph.D. in HRD program with Texas A&M University since 1989. To date, 20 Ph.D. students have graduated and the program has 10 active doctoral students. U. T. Tyler receives multiple inquiries weekly about the new program. Currently, 25 students are waiting for the Ph.D. in HRD to be approved and implemented so they can apply for admission. Current expectations are to admit 15 doctoral students per year.

In their book *Workforce 2020*, Richard W. Judy and Carol D'Amico (1997) conclude that the ever-changing job market will require all workers to continually be trained to update their skills. The need for the HRD professional in all organizations to help employees with career development and retraining has become more critical due to rapid technological change and the globalization of the workforce.

The employment opportunities in HRD far outpace the number of graduates currently being prepared. An August 2006 Academy of Human Resource Development (AHRD) study on HRD graduate students reported 100% employment rates, a growing number of openings, and well-above average salaries, which demonstrates that HRD is a discipline with strong employment opportunities. A survey among prospective employers in East and Northeast Texas indicated strong support for the development of a doctoral degree program in HRD.

### Program Quality

The Department of Human Resource Development and Technology has seven full-time tenured or tenure-track faculty. Two additional faculty members will begin employment in Fall 2007. Of the nine faculty in the department as of Fall 2007, seven will comprise the core faculty for the HRD Ph.D. program. All are active, publishing researchers who

are capable of teaching courses and supervising student research in the proposed program. In addition, 13 internationally and nationally distinguished HRD research scholars have agreed to serve as adjunct faculty. These adjunct faculty have agreed to teach courses, serve on dissertation committees, and mentor research projects.

In addition to the recognized faculty, three key factors will ensure the quality of the program: 1) establishment of a National Advisory Board for the HRD doctoral program, 2) participation in the Business Academy, and 3) adherence to the AHRD Standards for Graduate Programs pilot program. U. T. Tyler's Ph.D. in HRD has been endorsed by the Washington Advisory Group, the Perryman economic impact study entitled "*The University of Texas at Tyler: Enhancing the Economy and Quality of Life of the East Texas Region*," the East Texas Economic Development Council, and national and international companies located in East Texas.

### Program Cost

The cost of operating the program over five years is approximately \$3,561,580. This includes \$2,326,848 for faculty salaries, \$365,094 for administrative support, \$255,000 for graduate student support, \$220,638 for staff support, \$56,000 for supplies and materials, \$53,000 for library and information technology resources, \$70,000 for equipment, and \$215,000 for travel and recruitment. Revenues include \$1,487,614 from formula funding, \$374,613 from other state funding, \$144,000 from reallocation of existing resources, \$244,968 from course and other fee generation, \$1,190,116 from University support, \$300,000 from an endowed chair support, and \$1,350,000 from funds generated through U. T. Tyler's Business Academies. The total revenue generated across the next five years is expected to be approximately \$5,091,311.

### 5. U. T. Permian Basin: Request to name streets on the U. T. Permian Basin campus

#### RECOMMENDATION

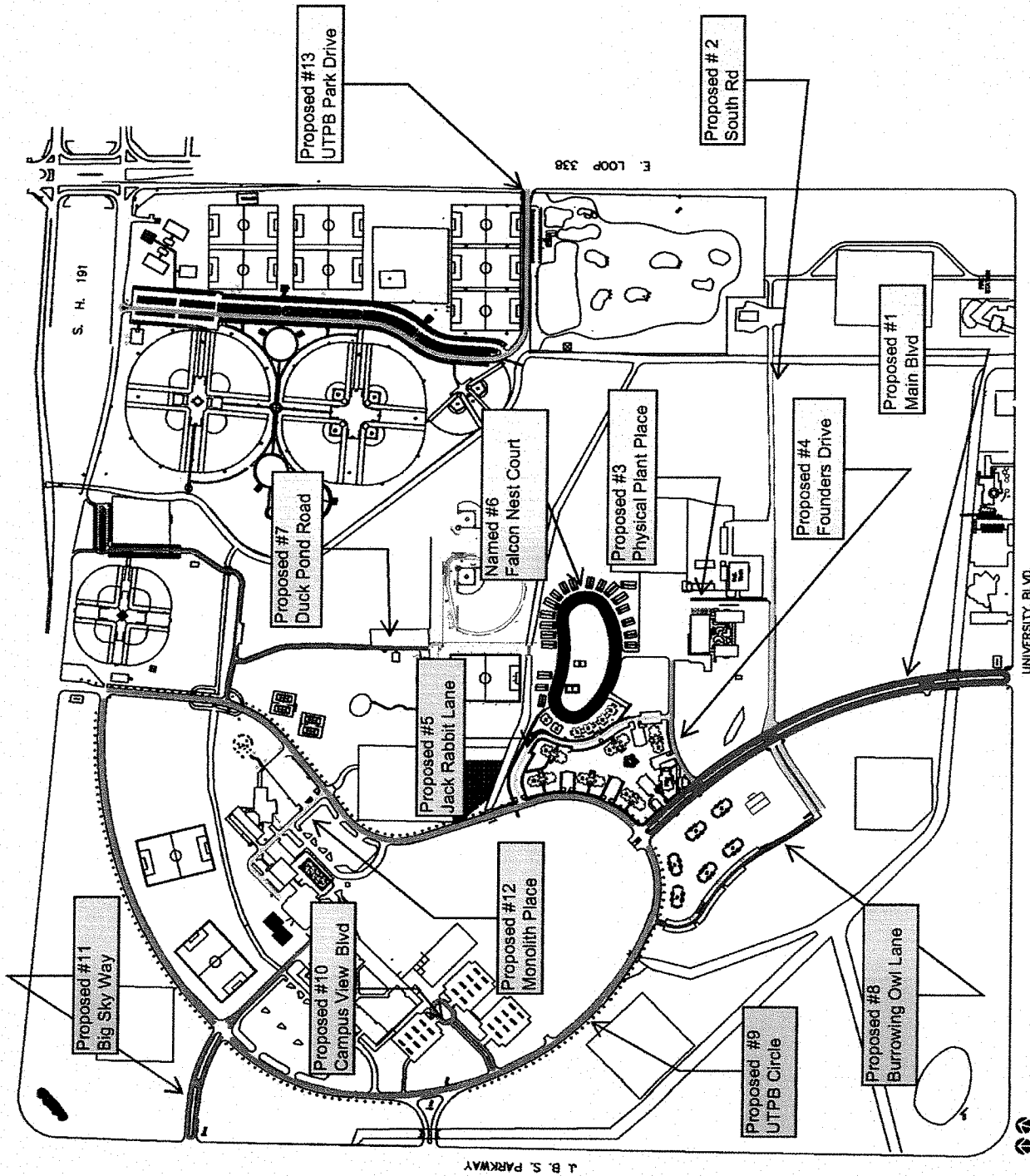
The Chancellor concurs in the recommendation of the Interim Executive Vice Chancellor for Academic Affairs, the Vice Chancellor for External Relations, and President Watts that the U. T. System Board of Regents approve the naming of 13 streets on the U. T. Permian Basin campus as follows:


	<u>Proposed</u>	<u>Location</u>
1.	Main Boulevard	south entrance from University Street
2.	South Road	south road across campus
3.	Physical Plant Place	by the office and shops

- |     |                       |                                     |
|-----|-----------------------|-------------------------------------|
| 4.  | Founders Drive        | to the east of Main Boulevard       |
| 5.  | Jack Rabbit Lane      | through campus housing on the east  |
| 6.  | Falcon Nest Court     | circular residential drive          |
| 7.  | Duck Pond Road        | north of athletic fields            |
| 8.  | Burrowing Owl Lane    | through campus housing on the west  |
| 9.  | UTPB Circle           | around the main academic buildings  |
| 10. | Campus View Boulevard | west entrance to Mesa Building      |
| 11. | Big Sky Way           | northwest entrance to Mesa Building |
| 12. | Monolith Place        | between the Gym and Art complexes   |
| 13. | UTPB Park Drive       | through city park east of campus    |

#### BACKGROUND INFORMATION

The City of Odessa and the Emergency Communication District of Ector County requested that streets within the boundaries of the campus be named in an effort to enable the 911 service to respond quickly in the event of an emergency (see map on Page 56).




 The University of Texas at the Permian Basin  
 September 2005

6. **U. T. Arlington: Authorization to lease approximately 1.12 acres of land and improvements located at 202 East Border Street, Arlington, Tarrant County, Texas, to the Arlington Business Accelerator, LLC, a Texas limited liability company, for use as a technology transfer and business incubator operated by the tenant; authorization to sublease back from the Arlington Business Accelerator, LLC, 9,421 square feet of space in the improvements for the U. T. Arlington Office of Grants and Contracts; and finding of public purpose**

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Interim Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Interim Vice Chancellor for Research and Technology Transfer, and President Spaniolo that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. Arlington, to

- a. lease to the Arlington Business Accelerator, LLC (the Accelerator), a Texas limited liability company, approximately 1.12 acres of land improved with an office building containing approximately 28,260 gross square feet located at 202 East Border Street, Arlington, Tarrant County, Texas, for use as a technology transfer and business incubator operated by the tenant;
- b. determine that the lease of the building to the Accelerator for the stated reason serves a public purpose appropriate to the function of U. T. Arlington, and that the consideration to the U. T. System and U. T. Arlington for the lease of the premises is adequate;
- c. enter into a sublease with the Accelerator to occupy approximately 9,421 square feet of space in the building for the U. T. Arlington Office of Grants and Contracts; and
- d. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendations.

### BACKGROUND INFORMATION

U. T. Arlington created the Arlington Technology Incubator (Incubator) to commercialize research and encourage the creation and development of new businesses pursuant to a memorandum of understanding with the Arlington Chamber Foundation (Foundation)



and the City of Arlington and in accordance with authorization from the Board of Regents granted on May 8, 2003. The Incubator and the original acquisition by U. T. Arlington of the 202 East Border Street property, approved by the Board of Regents on May 8, 2003, were initially funded from a federal grant provided by the Economic Development Administration (EDA). In connection with the grant, the EDA placed a covenant restricting the building to technology transfer and business incubator uses. That restriction remains in place until September 8, 2023.

Recognizing the need to improve the effectiveness and flexibility of the authorized uses of the property, U. T. Arlington and the Foundation have agreed to reorganize the Incubator. The Foundation has created a limited liability company, the Arlington Technology Incubator, LLC, which is wholly owned by the Foundation. The President and Vice President of Research at U. T. Arlington are slated to serve on the Board of the Arlington Technology Incubator, LLC, which will oversee activities of the Incubator. As part of the proposed reorganization, the Foundation recently formed the Arlington Entrepreneur Center, LLC, to provide technical assistance to new businesses and the Arlington Business Accelerator, LLC, to be the tenant under the proposed lease and to operate the subject property. All of the new entities will become active upon the approval of the proposed lease.

Under the reorganization, U. T. Arlington proposes to no longer manage the property. Operating expenses for the property paid by the institution totaled \$149,000 last fiscal year, but cash rents and the value of equity in lieu of rent received from the businesses aided by the Incubator totaled, on average, only \$29,000 per year. U. T. Arlington's status as a State agency inherently limits flexibility in structuring rent payments from the businesses aided by the Incubator. The new organizational structure will also facilitate a planned \$600,000 investment in the facility and future funding by the Foundation for Incubator operations, including \$130,000 of annual salary and benefit expenses now borne by U. T. Arlington.

U. T. Arlington proposes to lease the entire 202 East Border Street property, improved with a 28,260 gross square foot, three-story office building and associated surface parking, to the Accelerator for 20 years for a nominal rental of \$1.00 per year. The tenant will be responsible for the cost of all facility operating expenses and may use the property only for uses related to the purposes of the EDA grant and U. T. Arlington's mission. The EDA has written a letter supporting the proposed reorganization of the Incubator. Specific terms of the building lease agreement are shown on the transaction summary below. The location of the building is displayed on the map attached on Page 61.

In turn, U. T. Arlington proposes to sublease one floor of the building totaling 9,421 gross square feet, at a gross rental rate of \$12.00 per square foot per year, or \$113,052 annually for the Office of Grants and Contracts. According to local brokers, market rental is approximately \$15.50 per square foot. Specific terms of the sublease agreement are shown on the transaction summary on the following page.

The Attorney General of the State of Texas has advised in Opinion No. MW-373 (1981) that, for the use of university facilities at a below market rental to comply with the Texas Constitution, three requirements must be met: (1) the use of the property must serve a public purpose, appropriate to the function of the university, (2) adequate consideration must be received by the university, and (3) the university must maintain controls over the user's activities to ensure that the public purpose is achieved.

U. T. Arlington has determined that the lease to the Accelerator will meet the requirements in the following manner: the property will continue in its current use, encouraging the transfer of university-created technology and small business development, but the effectiveness and flexibility of those uses will increase due to the reorganization.

U. T. Arlington's net financial commitments will be reduced initially by approximately \$136,948 per year and fixed for the term of the lease, thereby avoiding uncertain revenues and likely growth of costs over time due to inflation. Finally, the building lease will contain controls making a change in use an event of default that will permit the landlord to terminate the lease and making the tenant responsible for any penalties or repayments imposed by the EDA.

### Transaction Summary

#### **Lease of 202 East Border**

Institution:	U. T. Arlington
Type of Transaction:	Lease of building and related improvements
Total Land Area:	1.12 acres
Total Building Area:	28,260 gross square feet
Location:	202 East Border Street, Arlington, Tarrant County, Texas; see attached map
Tenant:	Arlington Business Accelerator, LLC
Guarantor:	Arlington Chamber Foundation
Consideration:	\$20.00 for the initial 20-year lease term; \$1.00 per year for renewal terms if the tenant continues use of the property for authorized uses only; the tenant is responsible for all operating expenses, repairs and replacements, which totaled \$149,000 last year; the guarantor will fund \$600,000 in finish out of the first floor of the building during the first lease year and will fund the Incubator's ongoing operation expenses, which include \$130,000 of annual salary and benefit costs;

the use of the building will be restricted to uses permitted by the terms of the EDA grant (technology transfer and business development incubator)

Lease Term: Twenty years, plus two, five-year renewal options that are subject to U. T. Arlington's consent; the lease terminates automatically if the building use changes

Intended Use: Technology transfer and business development incubator

**Sublease of Second Floor at 202 East Border**

Institution: U. T. Arlington

Type of Transaction: Lease of space in an office building

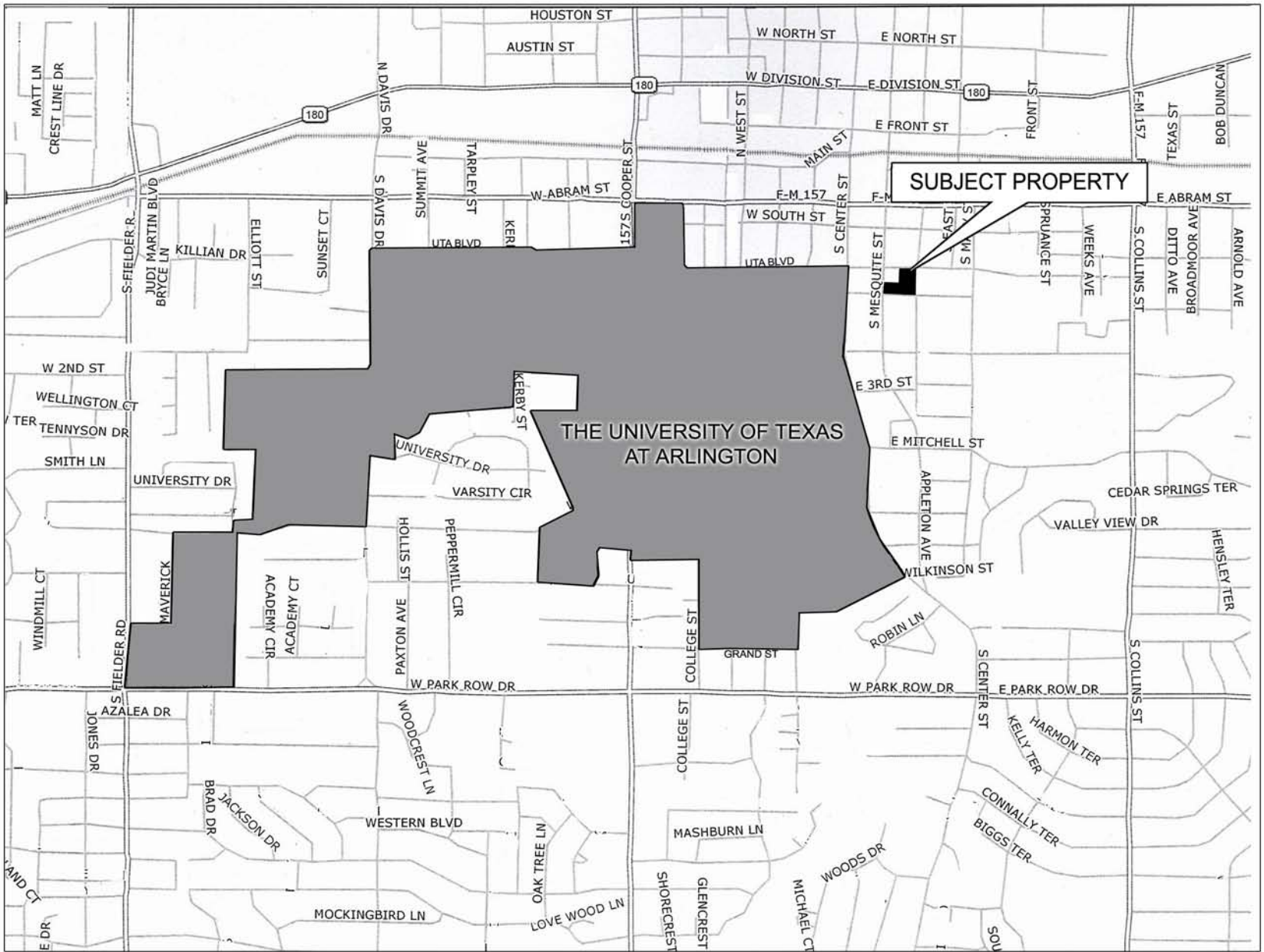
Premises: Second floor of 202 East Border Street, Arlington, Tarrant County, Texas, containing 9,421 square feet; see attached map

Landlord: Arlington Business Accelerator, LLC

Annual Rent: \$113,052 (\$12.00 per square foot) for the initial term; total rental over the 10-year initial term will be \$1,130,520; there will be no additional charge for operating expenses; rental for the renewal terms will remain at \$12.00 per square foot

Lease Term: 10 years, plus four 5-year renewal options

Intended Use: Location of U. T. Arlington Office of Grants and Contracts



7. **U. T. Arlington: Authorization to ground lease approximately 0.654 of an acre located at 1115 Greek Row Drive, Arlington, Tarrant County, Texas, to Delta Upsilon Foundation for a term of 30 years with two 10-year renewal options, for construction and operation of a fraternity house; and finding of public purpose**

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Interim Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Spaniolo that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. Arlington, to

- a. ground lease approximately 0.654 of an acre located at 1115 Greek Row Drive, Arlington, Tarrant County, Texas, to Delta Upsilon Foundation, for a term of 30 years with two 10-year renewal options on the terms stated below, for construction and operation of a fraternity house;
- b. determine that the lease will serve a public purpose appropriate to the function of U. T. Arlington and that the consideration to the U. T. System and U. T. Arlington for the lease is adequate; and
- c. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendations.

### BACKGROUND INFORMATION

Delta Upsilon Foundation desires to lease the subject property, located on Greek Row Drive on U. T. Arlington's main campus, to construct and operate a fraternity house for use by Delta Upsilon, a registered student organization in good standing at U. T. Arlington. The institution proposes to lease the property at a below market annual rent of \$0.05 per square foot (approximately \$1,424 per year) for the initial 30-year term, compared to an estimated market annual rent rate of \$0.20 per square foot (approximately \$5,698 per year). The estimated market rental is based on recent appraisals of nearby land at \$2.50 per square foot and a capitalization rate of 8%. Below market annual rental rates of \$0.05 per square foot are in place under existing ground leases between the Board of Regents of The University of Texas System, for the use and benefit of U. T. Arlington, and nine other sororities and fraternities on Greek Row Drive.

The Attorney General of the State of Texas has advised in Opinion No. MW-373 (1981) that, for the use of university facilities at a below market rental to comply with the Texas Constitution, three requirements must be met: (1) the use of the property must serve a public purpose, appropriate to the function of the university, (2) adequate consideration must be received by the university, and (3) the university must maintain controls over the user's activities to ensure that the public purpose is achieved.

U. T. Arlington has determined that the below market rental for the lease to Delta Upsilon Foundation serves a public purpose appropriate to the function of U. T. Arlington. The institution's Mission Statement expressly recognizes that "outside the classroom a wide range of student organization and activities contribute to the learning environment." Furthermore, the planning priorities and associated goals in U. T. Arlington's 2006-2010 Strategic Plan include enriching the university experience for all members of the U. T. Arlington community, making the campus more welcoming, developing a more engaging campus life, and promoting a culturally diverse, inclusive university community. It is the institution's position that registered student organizations in good standing, such as Delta Upsilon, can contribute to these goals and that the ground lease can facilitate those contributions.

Delta Upsilon Foundation will construct the fraternity house at its own expense. The ground lease will require compliance with all laws and institutional mandates. Failure to maintain status as a registered student organization at U. T. Arlington, loss of affiliation with the national chapter, and a criminal conviction for actions on the leased premises will each constitute a material breach causing forfeiture of the ground lease. The ground lease will also require the fraternity to make meaningful contributions to campus as measured by specific standards incorporated into the ground lease, including participation in scholarship fund raising programs, community service assistance, volunteer activities, coordination of campus events, and regional, state, and national competitions. Failure of the fraternity to contribute meaningfully to campus life through such activities will result in an increase of rent to a market level. The ground lease will also contain provisions in which the tenant (1) indemnifies the landlord for all matters arising from the tenant's use or occupancy of or activities on the premises, and (2) acknowledges and agrees that the landlord will not be liable for the acts or omissions of the tenant.

The terms and conditions of the proposed ground lease are specified in the transaction summary below:

#### Transaction Summary

Institution:	U. T. Arlington
Type of Transaction:	Lease
Total Area:	Approximately 0.654 of an acre
Improvements:	None

Location: 1115 Greek Row Drive, Arlington, Tarrant County, Texas; see attached map

Tenant: Delta Upsilon Foundation

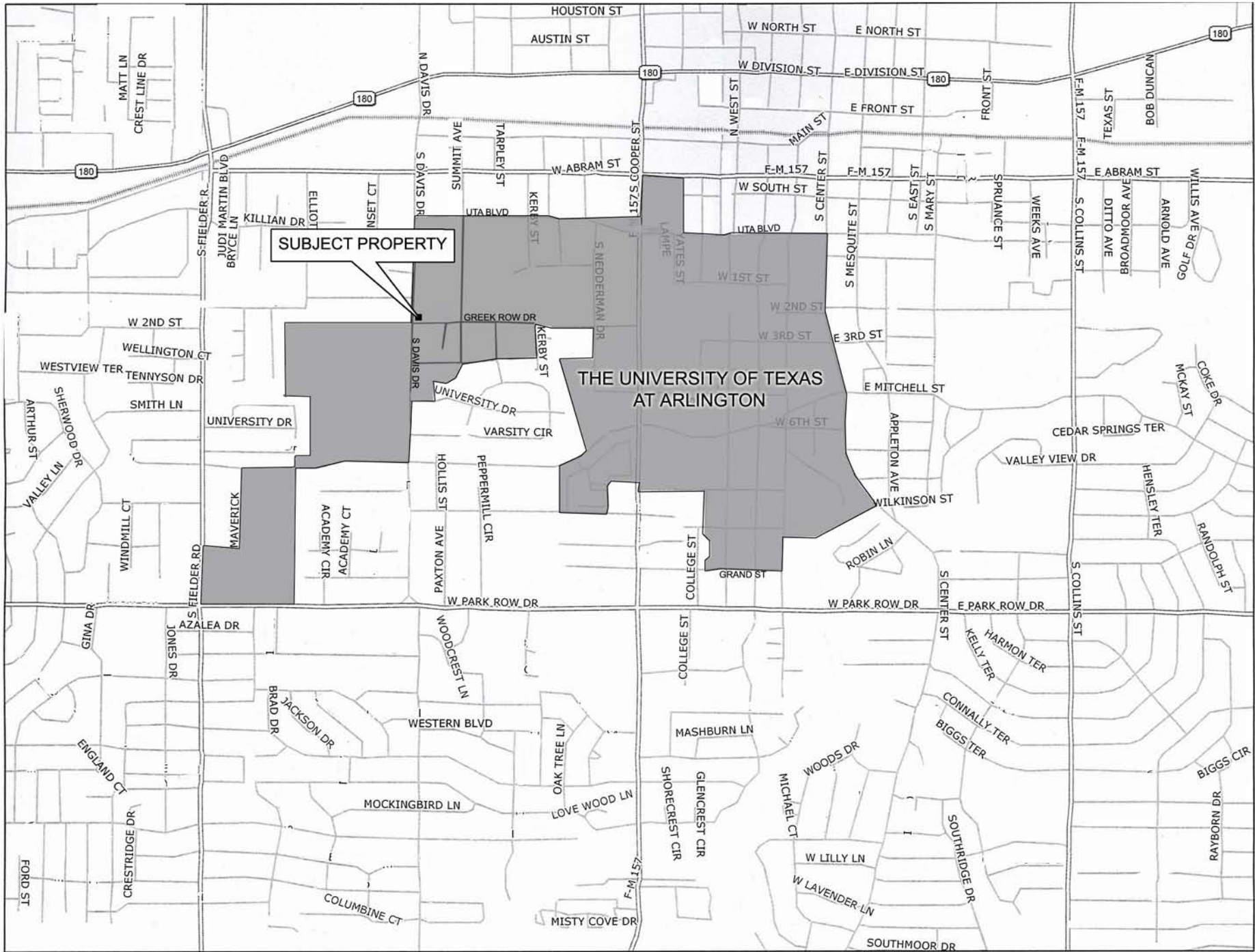
Consideration: Annual rent of \$0.05 per square foot for the initial 30-year term; extension terms will be leased at fair market value as determined by independent appraisals; ground tenant will be responsible for all construction and operating expenses; the lease will require the ground tenant to make a meaningful contribution to campus life, including, but not limited to participation in scholarship fund raising programs, community service assistance, volunteer activities, coordination of campus events, and regional, state, and national competitions

Lease Term: 30 years, plus two 10-year renewal options (at the tenant's option)

Intended Use: Construction and operation of a fraternity house by a registered student organization in good standing at U. T. Arlington

SUBJECT PROPERTY

THE UNIVERSITY OF TEXAS  
AT ARLINGTON





8. **U. T. System: (a) Report on restructuring the tuition process for the Bill Archer Center, Washington, D.C., and (b) adoption of an extension program fee**

**REPORT AND RECOMMENDATION**

- a. Interim Executive Vice Chancellor Malandra will report on restructuring the tuition process for the Bill Archer Center, Washington, D.C., as set forth on Pages 11 - 15 of the Supplemental Materials (Volume 2) of the Agenda Book.
- b. The Chancellor concurs in the recommendation of the Interim Executive Vice Chancellor and the Vice Chancellor and General Counsel that an extension program fee of \$3,000 per semester for U. T. Dallas be approved by the U. T. System Board of Regents and included in the institutional catalogs.

**BACKGROUND INFORMATION**

As reported at the Board meeting on August 10, 2006, the Archer Center is a self-supporting program based within the U. T. System Office of Federal Relations. The Center is unique among academic and student opportunities because it strives to support and enable students from all campuses within the U. T. System to take advantage of opportunities in Washington, D.C. The Center is partially funded by an endowment managed by The University of Texas Foundation that generates about \$140,000 annually. For the last two years, the endowment revenue has been supplemented by federal grants that essentially doubled the funds. These grants terminate in the coming months leaving a shortfall of \$138,000 going forward from the 2006-2007 academic year budget of \$278,000.

To strengthen its ability to support program costs and future expansion, the Center has restructured its budget for the coming academic year to reduce overall costs by \$21,000 to \$257,000. Presently, tuition and fees paid by Archer Fellows remain within the local campus and none are used to fund the costs incurred by the Archer Center. For 2005-2006, the 45 participating students paid just over \$144,000 in tuition and fees to their home campuses for the semester credit hours they received through the Archer Program.

Starting in academic year 2007-2008, the Archer Center proposes to begin charging and collecting an extension program fee to cover costs of operating the program. This authority is granted under Regents' *Rules and Regulations*, Series 50701 titled Visiting U. T. System Students Program. Thus, local campuses will no longer charge Archer Fellows their local tuition rates nor retain the extension program fee that will be charged by the Archer Center. The extension program fee collected by the home institution will

be transferred to U. T. Dallas to cover costs of the program. For Archer Fellows, the local campus may waive any mandatory fees required of all students who attend their campus.

To cover the actual costs of the Archer Center Program offered through U. T. Dallas, \$3,000 per semester is needed. The authority for charging the fee as an extension program fee authorized by *Texas Education Code* Section 54.545 has been confirmed by the Office of General Counsel.

9. **U. T. System: Report from academic presidents, Interim Executive Vice Chancellor Malandra, and Academic Affairs Committee members on graduation rates**

REPORT

The academic presidents, Interim Executive Vice Chancellor Malandra, and Academic Affairs Committee members may report briefly on new developments taking place at each campus.

These reports include discussion of the graduation rate targets to meet or exceed national averages for full-time students, changes in institutional policies to maximize graduation rates, and other changes that help increase graduation rates.

10. **U. T. System Board of Regents: Update regarding admissions policies of U. T. System academic institutions**

REPORT

Dr. Geri H. Malandra, Interim Executive Vice Chancellor for Academic Affairs, will report on the admissions policies of U. T. System academic institutions.

The U. T. System's strategic plan calls for new enrollment management plans for all academic institutions. In doing so, institutions are required to develop strategies that bring together admissions, tuition, and financial aid policies into a comprehensive institutional policy. Admission policies will be discussed in this context. See admissions requirements on Pages 16 - 17 of the Supplemental Materials (Volume 2) of the Agenda Book.



## TABLE OF CONTENTS FOR FACILITIES PLANNING AND CONSTRUCTION COMMITTEE

**Committee Meeting:** 2/7/2007

**Board Meeting:** 2/8/2007  
Austin, Texas

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

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>Convene</b>	10:30 a.m. <i>Chairman Barnhill</i>		
1. <b>U. T. System: 2007 Office of Facilities Planning and Construction Strategic Initiatives</b>	10:30 a.m. <b>Report</b> <i>Dr. Kelley</i> <i>Mr. O'Donnell</i>	Not on Agenda	<b>68</b>
2. <b>U. T. System: Consideration of possible designation of the University Bookstore project at U. T. El Paso as architecturally or historically significant and selection of architect for the Dell Computer Science Hall project at U. T. Austin</b>	10:35 a.m. <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	<b>68</b>
3. <b>U. T. Arlington: Engineering Lab Building Addition - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2007-2008 Capital Budget to include project</b>	10:37 a.m. <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	<b>70</b>
4. <b>U. T. Austin: Center for Physical Culture and Sports - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2007-2008 Capital Budget to include project at Darrell K Royal - Texas Memorial Stadium North End Zone; approval of total project cost; appropriation of funds and authorization of expenditure; and approval of naming as the H. J. Lutcher Stark Center for Physical Culture and Sports</b>	10:39 a.m. <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	<b>71</b>
5. <b>U. T. Austin: 1616 Guadalupe Regional Data Center Study - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2007-2008 Capital Budget to include project; appropriation of funds and authorization of expenditure; and authorization of institutional management</b>	10:41 a.m. <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	<b>72</b>

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
6. <b>U. T. Dallas: Major Renovation and Repair Projects - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2007-2008 Capital Budget to include project; authorization of institutional management; appropriation of funds and authorization of expenditure; and resolution regarding parity debt</b>	10:43 a.m. <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	73
7. <b>U. T. El Paso: University Bookstore - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2007-2008 Capital Budget to include project</b>	10:45 a.m. <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	75
8. <b>U. T. San Antonio: Expansion to Parking Lot 12 - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2007-2008 Capital Budget to include project; authorization of institutional management; appropriation of funds and authorization of expenditure; and resolution regarding parity debt</b>	10:47 a.m. <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	76
9. <b>U. T. Health Center - Tyler: Campus Electrical Distribution System Upgrade and Expansion - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2007-2008 Capital Budget to include project; approval of total project cost; approval of transfer of funds and authorization of expenditure; authorization of institutional management; and reduction of total project cost for Biomedical Research Wing Addition</b>	10:49 a.m. <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	77
10. <b>U. T. Austin: Chilling Station Replacement - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2007-2008 Capital Budget to increase total project cost; approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and resolution regarding parity debt</b>	10:51 a.m. <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	79
11. <b>U. T. Pan American: Student Health Clinic - Request for approval of design development; approval to revise funding sources; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt</b>	10:53 a.m. <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	81
12. <b>U. T. Austin: Experimental Science Building - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2007-2008 Capital Budget to combine projects; approval of total project cost; approval to revise funding sources; approval to redesignate the project as Experimental Science Building/ Vivarium/Phase I - Robert A. Welch Hall; and approval to reduce the total project cost for the Robert A. Welch project and redesignate as Phase 2 - Robert A. Welch Hall</b>	10:56 a.m. <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	84
13. <b>U. T. Permian Basin: Science and Technology Complex - Request for appropriation of funds and authorization of expenditure for renovation portion of the project and resolution regarding parity debt</b>	11:00 a.m. <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	86

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
14. <b>U. T. San Antonio: Engineering Building, Phase II - Request for appropriation of funds and authorization of expenditure and resolution regarding parity debt</b>	11:05 a.m. <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	<b>87</b>
15. <b>U. T. Tyler: Completion/Renovation/Expansion of the Engineering, Science and Technology Building - Request for appropriation of funds and authorization of expenditure; authorization of partial institutional management; and resolution regarding parity debt</b>	11:10 a.m. <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	<b>89</b>
16. <b>U. T. Health Science Center - Houston: Expansion of RAHC Public Health Satellite - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2007-2008 Capital Budget to increase the total project cost and appropriation of funds and authorization of expenditure</b>	11:15 a.m. <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	<b>91</b>
17. <b>U. T. Health Science Center - San Antonio: Cyclotron Addition - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2007-2008 Capital Budget to increase total project cost; approval to revise funding sources; appropriation of funds and authorization of expenditure; and resolution regarding parity debt</b>	11:20 a.m. <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	<b>92</b>
18. <b>U. T. M. D. Anderson Cancer Center: Bastrop Facility Strategic Plan - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2007-2008 Capital Budget to increase total project cost and appropriation of funds and authorization of expenditure</b>	11:25 a.m. <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	<b>94</b>
<b>Adjourn</b>	11:30 a.m.		

1. **U. T. System: 2007 Office of Facilities Planning and Construction Strategic Initiatives**

REPORT

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will review the current status of the FY 2006-2011 Capital Improvement Program (CIP). Mr. Michael O'Donnell, Associate Vice Chancellor for Facilities Planning and Construction, will report on a series of new strategic initiatives being considered for the CIP. Their presentation is on Pages 18 – 32 of the Supplemental Materials (Volume 2) of the Agenda Book.

2. **U. T. System: Consideration of possible designation of the University Bookstore project at U. T. El Paso as architecturally or historically significant and selection of architect for the Dell Computer Science Hall project at U. T. Austin**

RECOMMENDATION

- a. It is recommended that the Facilities Planning and Construction Committee and the U. T. System Board of Regents review the following project scheduled for architectural selection to determine if this project should be designated as architecturally or historically significant. Regents' *Rules and Regulations*, Series 80302 requires that all proposed projects be reviewed to determine if any are of special interest because of proposed building site, historical or cultural significance, proposed use, or other unique characteristics. For projects designated to be of special interest, the Committee will select the architect.

**U. T. El Paso**

University Bookstore (See project description on Page 69 and related Item 7 on Page 75)

Proposed Project Cost: \$5,500,000

Anticipated Delivery Method: Competitive Sealed Proposals

- b. It is further recommended that the Committee approve the selection of architect from the following list for the Dell Computer Science Hall project at U. T. Austin that was designated of special interest by the U. T. System Board of Regents on May 10, 2006:

- PGAL associated with Michael Graves and Associates
- Pelli Clarke Pelli Architects associated with Susman Tisdale Gayle
- Graeber, Simmons & Cowan associated with Lake Flato Architects

## **University Bookstore U. T. El Paso**

**Project Description.** The University Bookstore project is being requested for addition to the FY 2006-2011 Capital Improvement Program at a Total Project Cost of \$5,500,000 (see Item 7 on Page 75). This project will consist of construction of a 25,000 gross square foot building to serve as a new University Bookstore. This new building will include all functions that the existing bookstore offers with added accessibility and convenience for both the students and visitors to campus. A small campus visitor information office may also be included.

**Proposed Site.** The proposed site is the corner of Sun Bowl Drive and University Avenue. Factors determining this site selection included: high student traffic in the area; convenient location off Interstate 10 and Sun Bowl Drive; and ample parking in the adjacent new parking garage.

**Age.** The proposed building is a new facility.

**Current/Past Use of the Building, and Compliance with the Campus Master Plan.** This project complies with U. T. El Paso's Campus Master Plan for this site, and is a continuation of the development of this site.

**Other Relevant Information.** The existing campus bookstore is located within the Union Building East on the U. T. El Paso campus. While this alone limits the amount of pedestrian traffic to the site, the fact that there is limited amount of parking available for its customers is also a deterrent for visitors. A new building located on the outer rim of the campus would greatly improve customer and student accessibility to the site and would allow for the bookstore to remain open during off hours and/or during game day activities. Also, placing the building in an area with game day or event traffic will allow for greater sales of soft goods and possibly in future convenience store type sales.

**3. U. T. Arlington: Engineering Lab Building Addition - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2007-2008 Capital Budget to include project**

**RECOMMENDATION**

The Chancellor concurs with the Interim Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Spaniolo that the U. T. System Board of Regents amend the FY 2006-2011 Capital Improvement Program (CIP) and the FY 2007-2008 Capital Budget to include the Engineering Lab Building Addition project at The University of Texas at Arlington as follows:

**Project No.** 301-338

**Project Delivery Method:** Construction Manager at Risk

**Substantial Completion Date:** July 2008

<b>Total Project Cost:</b>	<u>Source</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	\$10,450,000

**BACKGROUND INFORMATION**

**Project Description**

U. T. Arlington is requesting to add a new project to the FY 2006-2011 CIP and the FY 2007-2008 Capital Budget titled Engineering Lab Building Addition. The project will add approximately 44,600 gross square feet to the existing Engineering Lab Building with the construction of a third floor and the construction of a basement in the existing crawl space. The new additional space will provide the needed offices and laboratories to accommodate the growth in research projects within the College of Engineering until the completion of the Engineering Research Building in January 2011.

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



4. **U. T. Austin: Center for Physical Culture and Sports - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2007-2008 Capital Budget to include project at Darrell K Royal - Texas Memorial Stadium North End Zone; approval of total project cost; appropriation of funds and authorization of expenditure; and approval of naming as the H. J. Lutcher Stark Center for Physical Culture and Sports**

**RECOMMENDATION**

The Chancellor concurs with the Interim Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents amend the FY 2006-2011 Capital Improvement Program (CIP) and the FY 2007-2008 Capital Budget to include the Center for Physical Culture and Sports project at The University of Texas at Austin as follows:

**Project Delivery Method:** Construction Manager at Risk

**Substantial Completion Date:** July 2008

<b>Total Project Cost:</b>	<u>Source</u>	<u>Proposed</u>
	Gifts	\$5,500,000

- a. approve a total project cost of \$5,500,000 with funding from Gifts;
- b. appropriate and authorize expenditure of funds; and
- c. approve the naming as the H. J. Lutcher Stark Center for Physical Culture and Sports.

**BACKGROUND INFORMATION**

U. T. Austin is requesting to add a new repair and rehabilitation project to the FY 2006-2011 CIP and the FY 2007-2008 Capital Budget titled Center for Physical Culture and Sports. The project will complete approximately 7,000 gross square feet of shell space on the fifth floor in the Darrell K Royal - Texas Memorial Stadium North End Zone. The space will showcase permanent and rotating exhibits related to the role of sports in society and the history of physical fitness, weight training, and health promotion. An extraordinary collection of material on competitive sports, strength training, and other topics relating to physical fitness and alternative medicine, including the Todd-McLean Physical Culture Collection, will form the basis of the new facility's holdings.

Mr. H. J. Lutcher Stark was born in Orange, Texas, in 1887. Mr. Stark was a U. T. Austin athlete in the early 1900s, and graduated from U. T. Austin with a bachelor of arts degree in 1910. He served on the U. T. System Board of Regents for 24 years,

from May 1919 - January 1931, and from January 1933 - February 1945, approximately 11 of those years as Chairman. He was a driving force behind the construction of U. T. Austin's original stadium in 1924 while serving as Chairman of the Board of Regents. Although he and his family were best known for their activities in the lumber industry in East Texas and South Louisiana, former Regent Stark also had a successful business career in insurance, banking, real estate, manufacturing, and the petroleum industry. Mr. Stark died in 1965. He created the Nelda C. and H. J. Lutcher Stark Foundation with his wife in 1961. In June 2006, the Board of Directors of the Foundation authorized a grant of \$3.5 million to be used toward the creation of the center of physical culture and sports as part of the planned renovation of the Darrell K Royal - Texas Memorial Stadium. It is a fitting tribute that the center be named in honor of former Regent H. J. Lutcher Stark.

The proposed naming as the H. J. Lutcher Stark Center for Physical Culture and Sports is consistent with the Regents' *Rules and Regulations*, Series 80307, regarding gift-related naming of facilities and programs. It will recognize the philanthropic contribution from the Nelda C. and H. J. Lutcher Stark Foundation and the many intangible contributions made to U. T. Austin by former Regent Stark.

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

**5. U. T. Austin: 1616 Guadalupe Regional Data Center Study - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2007-2008 Capital Budget to include project; appropriation of funds and authorization of expenditure; and authorization of institutional management**

**RECOMMENDATION**

The Chancellor concurs with the Interim Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents amend the FY 2006-2011 Capital Improvement Program (CIP) and the FY 2007-2008 Capital Budget to include the 1616 Guadalupe Regional Data Center Study at The University of Texas at Austin as follows:

**Institutionally Managed:** Yes  No

<b>Total Project Cost:</b>	<u>Source</u>	<u>Proposed</u>
	Unexpended Plant Funds	\$500,000

- a. approve a preliminary project cost of \$500,000 with funding from Unexpended Plant Funds;
- b. appropriate and authorize expenditure of funds; and
- c. authorize U. T. Austin to manage the study.

BACKGROUND INFORMATION

Project Description

U. T. Austin is requesting to add a study to the FY 2006-2011 CIP and the FY 2007-2008 Capital Budget titled 1616 Guadalupe Regional Data Center Study. This project will provide a review of the newly acquired property to serve as the primary data center for the U. T. Austin campus as well as shared services, co-location, and disaster recovery needs of any number of U. T. System institutions. A more thorough engineering and architectural study of the facility is required to refine the scope and costs of the project.

This study is below the Capital Improvement cost threshold but is being added to the CIP due to the potential renovations becoming a major project. This proposed off-cycle study has been approved by U. T. System staff and meets the criteria for inclusion in the CIP.

- 6. **U. T. Dallas: Major Renovation and Repair Projects - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2007-2008 Capital Budget to include project; authorization of institutional management; appropriation of funds and authorization of expenditure; and resolution regarding parity debt**

RECOMMENDATION

The Chancellor concurs with the Interim Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Daniel that the U. T. System Board of Regents amend the FY 2006-2011 Capital Improvement Program (CIP) and the FY 2007-2008 Capital Budget to include the Major Renovation and Repair Projects at The University of Texas at Dallas as follows:

**Project No:** 302-330  
**Institutionally Managed:** Yes  No   
**Project Delivery Method:** Competitive Sealed Proposals  
**Substantial Completion Date:** August 2007

**Total Project Cost:** Source Proposed  
Revenue Financing System Bond Proceeds \$2,408,000

- a. approve a total project cost of \$2,408,000 with funding from Revenue Financing System Bond Proceeds;
- b. authorize U. T. Dallas to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts;

- c. appropriate funds and authorize expenditure of funds; and
- d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
  - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
  - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
  - U. T. Dallas, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$2,408,000.

## BACKGROUND INFORMATION

### Debt Service

The \$2,408,000 in Revenue Financing System Debt will be repaid from institutional funds. Average annual debt service on the project is estimated at approximately \$308,000. The institution's debt service coverage is expected to be at least 1.4 times and average 2.4 times over FY 2007-2012.

### Project Description

U. T. Dallas is requesting to add a new project to the FY 2006-2011 CIP and the FY 2007-2008 Capital Budget titled Major Renovation and Repair Projects. The projects will consist of various remodeling and infrastructure projects to include the remodeling of office space, exterior access renovations, traffic improvements, and major repairs to roofs.

This proposed off-cycle repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. It has been determined that U. T. Dallas Facility Management personnel have the experience and capability to manage all aspects of the work.

**7. U. T. El Paso: University Bookstore - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2007-2008 Capital Budget to include project**

**RECOMMENDATION**

The Chancellor concurs with the Interim Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Natalicio that the U. T. System Board of Regents amend the FY 2006-2011 Capital Improvement Program (CIP) and the FY 2007-2008 Capital Budget to include the University Bookstore project at The University of Texas at El Paso as follows:

**Project No.** 201-333

**Project Delivery Method:** Competitive Sealed Proposals

**Substantial Completion Date:** April 2009

<b>Total Project Cost:</b>	<u>Source</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	\$5,500,000

**BACKGROUND INFORMATION**

U. T. El Paso is requesting to add a new project to the FY 2006-2011 CIP and the FY 2007-2008 Capital Budget titled University Bookstore. The project will include 25,000 gross square feet to incorporate many aspects of student life including a food court, lounge space, student media, and entertainment venues. The University Bookstore will be located at the corner of Sun Bowl Drive and University Avenue. This site was selected due to the heavy amount of student traffic through this area, the convenient location off Interstate 10 and Sun Bowl Drive, and parking in the adjacent parking garage.

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

See Item 2 on Page 68 regarding possible designation of the University Bookstore project at U. T. El Paso as architecturally or historically significant.

8. **U. T. San Antonio: Expansion to Parking Lot 12 - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2007-2008 Capital Budget to include project; authorization of institutional management; appropriation of funds and authorization of expenditure; and resolution regarding parity debt**

RECOMMENDATION

The Chancellor concurs with the Interim Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Romo that the U. T. System Board of Regents amend the FY 2006-2011 Capital Improvement Program (CIP) and the FY 2007-2008 Capital Budget to include the Expansion to Parking Lot 12 project at The University of Texas at San Antonio as follows:

**Project No:** 401-337  
**Institutionally Managed:** Yes  No   
**Project Delivery Method:** Competitive Sealed Proposals  
**Substantial Completion Date:** January 2008

**Total Project Cost:**

<u>Source</u>	<u>Proposed</u>
Revenue Financing System Bond Proceeds	\$1,500,000

- a. approve a total project cost of \$1,500,000 with funding from Revenue Financing System Bond Proceeds;
- b. authorize U. T. San Antonio to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts;
- c. appropriate and authorize expenditure of funds; and
- d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
  - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
  - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and

- U. T. San Antonio, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$1,500,000.

## BACKGROUND INFORMATION

### Debt Service

The \$1,500,000 in Revenue Financing System debt will be repaid from parking revenues. Average annual debt service on the project is estimated at approximately \$131,000. Debt service coverage is expected to be at least 1.3 times and average 1.4 times over FY 2007 – FY 2011.

### Project Description

U. T. San Antonio is requesting to add a new project to the FY 2006-2011 CIP and the FY 2007-2008 Capital Budget titled Expansion to Parking Lot 12. The project will add approximately 300 parking spaces to the current 220 space Parking Lot 12 located on the western portion of the U. T. San Antonio 1604 Campus. Additional lighting, sidewalks, and modifications to existing Parking Lot 12 will be included to facilitate the expansion.

This proposed off-cycle repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. It has been determined that U. T. San Antonio Facility Management personnel have the experience and capability to manage all aspects of the work.

9. **U. T. Health Center - Tyler: Campus Electrical Distribution System Upgrade and Expansion - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2007-2008 Capital Budget to include project; approval of total project cost; approval of transfer of funds and authorization of expenditure; authorization of institutional management; and reduction of total project cost for Biomedical Research Wing Addition**

## RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Calhoun that the U. T. System Board of Regents amend the FY 2006-2011 Capital Improvement Program (CIP) and the FY 2007-2008 Capital Budget to include the Campus Electrical Distribution System Upgrade and Expansion project at The University of Texas Health Center at Tyler as shown on the following page.

**Project No:** 801-334  
**Institutionally Managed:** Yes  No   
**Project Delivery Method:** Competitive Sealed Proposals  
**Substantial Completion Date:** October 2007

<b>Total Project Cost: Upgrade and Expansion for Campus Electrical Distribution System (Project No. 801-334)</b>	<u>Source</u>	<u>Proposed</u>
	Permanent University Fund Bond Proceeds	\$460,000
	Tuition Revenue Bond Proceeds	<u>\$490,000</u>
		\$950,000

<b>Total Project Cost: Biomedical Research Wing Addition (Project No. 801-062)</b>	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Tuition Revenue Bond Proceeds	\$11,513,250	\$11,023,250

- a. approve a total project cost of \$950,000 with funding of \$460,000 from Permanent University Fund (PUF) Bond Proceeds Library, Equipment, Repair and Rehabilitation (LERR) and \$490,000 from Tuition Revenue Bond Proceeds;
- b. approve the transfer of Tuition Revenue Bond Proceeds in the amount of \$490,000 from the Biomedical Research Wing Addition project and authorize expenditure;
- c. authorize U. T. Health Center - Tyler to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts;
- d. appropriate funds and authorize expenditure of funds; and
- e. reduce the total project cost from \$11,513,250 to \$11,023,250 for the Biomedical Research Wing Addition project with funding from Tuition Revenue Bond Proceeds.

### BACKGROUND INFORMATION

#### Project Description

U. T. Health Center - Tyler is requesting to add a new project to the FY 2006-2011 CIP and the FY 2007-2008 Capital Budget titled Campus Electrical Distribution System Upgrade and Expansion. Funding for the project was previously appropriated in the amount of \$490,000 from Tuition Revenue Bond Proceeds from the Biomedical Research Wing Addition project and \$460,000 from PUF Bond Proceeds FY 2006 allocations from LERR. The project scope of work includes upgrading and reconfiguring the campus electrical distribution components and high voltage cabling, establishing power distribution sub-loops, and installing capacitor banks on the main incoming power supply to the campus. The project is required to provide service for expanded campus



electrical load to facilities including the Center for Biomedical Research as well as to improve the reliability and redundancy of the distribution system. This project is below the Capital Improvement cost threshold but is being added to the CIP due to the use of debt financing.

This proposed off-cycle project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. It has been determined that U. T. Health Center - Tyler Facilities Management personnel have the experience and capability to manage all aspects of the work.

10. **U. T. Austin: Chilling Station Replacement - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2007-2008 Capital Budget to increase total project cost; approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and resolution regarding parity debt**

#### RECOMMENDATION

The Chancellor concurs with the Interim Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents approve the recommendations for the Chilling Station Replacement project at The University of Texas at Austin as follows:

**Project No.** 102-245  
**Institutionally Managed:** Yes  No   
**Project Delivery Method:** Construction Manager at Risk

**Substantial Completion Date:** January 2009

<b>Total Project Cost:</b>	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	\$35,000,000	\$37,700,000

- a. amend the FY 2006-2011 Capital Improvement Program (CIP) and the FY 2007-2008 Capital Budget to increase the total project cost from \$35,000,000 to \$37,700,000;
- b. approve design development plans;
- c. approval of evaluation of alternative energy economic feasibility;
- d. appropriate funds and authorize expenditure of funds; and

- e. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
  - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
  - U. T. Austin, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$37,700,000.

## BACKGROUND INFORMATION

### Debt Service

The \$37,700,000 in Revenue Financing System debt will be repaid from indirect cost recovery. Annual debt service on the project is expected to be \$2.8 million. The institution's debt service coverage is expected to be at least 3.4 times and average 3.8 times over FY 2007-2011.

### Previous Board Action

On May 11, 2006, the project was included in the CIP with a preliminary project cost of \$35,000,000 with funding from Revenue Financing System Bond Proceeds.

### Project Description

This project will replace the outdated Central Chilling Station No. 2 which will free up space for the new Dell Computer Science Hall. The new chilling station will include three 5,000 ton variable frequency driven electric chillers, of which 3,000 tons will be dedicated for turbine inlet air cooling of a gas turbine, and space for operations and maintenance personnel. A new cooling tower will also be constructed to replace the cooling tower to be demolished with Central Chilling Station No. 2.

## Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 75-100 years
- Chillers and Tower: 45-50 years
- Major Equipment Support Systems: 15-30 years
- Major Equipment Interior Space: 30-50 years
- Support Office Interior Construction: 15-20 years

The exterior appearance and finish will be consistent with chilling stations and consistent with the Campus Master Plan.

The mechanical and electrical building systems will be designed with sufficient flexibility and space for future capacity to allow for programmatic changes without significant disruption.

The interior appearance and finish will include open, flexible generic space with minimal support areas.

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

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

11. **U. T. Pan American: Student Health Clinic - Request for approval of design development; approval to revise funding sources; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt**

## RECOMMENDATION

The Chancellor concurs with the Interim Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Cárdenas that the U. T. System Board of Regents approve the recommendations for the Student Health Clinic project at The University of Texas - Pan American as follows:

**Project No.** 901-251  
**Institutionally Managed:** Yes  No

**Project Delivery Method:** Competitive Sealed Proposals

**Substantial Completion Date:** July 2007

<b>Total Project Cost:</b>	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Designated Funds	\$1,500,000	
	Revenue Financing System Bond Proceeds		\$1,500,000

- a. approve design development plans;
- b. revise funding sources;
- c. appropriate funds and authorize expenditure of funds;
- d. approve the evaluation of alternative energy economic feasibility; and
- e. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
  - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
  - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
  - U. T. Pan American, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$1,500,000.

### BACKGROUND INFORMATION

#### Debt Service

The \$1,500,000 in Revenue Financing System debt will be repaid from student fees. Annual debt service on the project is expected to be \$131,000. The project's debt service coverage is expected to be at least 1.7 times and average 2.2 times over FY 2008-2011.

### Previous Board Actions

On August 10, 2005, the project was included in the Capital Improvement Program (CIP) with a total project cost of \$1,500,000 with funding from Designated Funds.

### Project Description

The institutionally managed project will relocate the current Student Health Clinic from a 1961 building and will provide new technology to be built into the new facility containing approximately 7,500 gross square feet. The clinic will have exam rooms, a pharmacy, and all health-related support areas. Changing the funding sources more accurately reflects the financial model to optimize the amount of debt on the project.

### Basis of Design

The planned building life expectancy includes the following elements:

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

The exterior appearance and finish is consistent with high-end commercial facilities and with the existing Campus Master Plan. This project is an integral part of the Wellness and Recreation Sports Complex development.

The mechanical and electrical building systems are designed with sufficient flexibility and space for future capacity to allow for changes without significant disruption to ongoing activities.

The interior appearance and finish include open, flexible space with support areas.

*Texas Government Code* Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating alternative energy devices into a new State building or addition to an existing 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. System Board of Regents as part of the design development presentation.

12. **U. T. Austin: Experimental Science Building - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2007-2008 Capital Budget to combine projects; approval of total project cost; approval to revise funding sources; approval to redesignate the project as Experimental Science Building/Vivarium/Phase I - Robert A. Welch Hall; and approval to reduce the total project cost for the Robert A. Welch project and redesignate as Phase 2 - Robert A. Welch Hall**

RECOMMENDATION

The Chancellor concurs with the Interim Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents approve the recommendations for the Experimental Science Building project at The University of Texas at Austin as set forth below:

**Project No:** 102-259  
**Project Delivery Method:** Construction Manager at Risk  
**Substantial Completion Date:** July 2011

<b>Total Project Cost:</b>	<u>Source</u>	<u>Current</u>
<b>Experimental Science Building</b>	Permanent University Fund Bond Proceeds	\$ 20,000,000
	Tuition Revenue Bond Proceeds	<u>\$105,000,000</u>
<b>(Project No. 102-259)</b>		<b>\$125,000,000</b>

<b>Total Project Cost: Vivarium</b>	<u>Source</u>	<u>Current</u>
<b>(Project No. 102-260)</b>	Revenue Financing System Bond Proceeds	\$15,000,000

<b>Total Project Cost: Robert A. Welch Hall</b>	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Permanent University Fund Bond Proceeds	\$35,000,000	
<b>(Project No. 102-282)</b>	Revenue Financing System Bond Proceeds	<u>\$25,000,000</u>	\$25,000,000
		\$60,000,000	

<b>Combined Total Project Cost:</b>	<u>Source</u>	<u>Proposed</u>
<b>Experimental Science Building/Vivarium/Phase I - Robert A. Welch Hall</b>	Permanent University Fund Bond Proceeds	\$ 55,000,000
	Tuition Revenue Bond Proceeds	\$105,000,000
	Revenue Financing System Bond Proceeds	<u>\$ 15,000,000</u>
		<b>\$175,000,000</b>

- a. amend the FY 2006-2011 Capital Improvement Program (CIP) and the FY 2007-2008 Capital Budget to combine the Experimental Science Building project, Robert A. Welch Hall project, and the Vivarium project;
- b. approve a total project cost of \$175,000,000;
- c. revise the funding sources to \$105,000,000 from Tuition Revenue Financing System Bond Proceeds, \$55,000,000 from Permanent University Fund (PUF) Bond Proceeds, and \$15,000,000 from Revenue Financing System Bond Proceeds;

- d. redesignate the project as Experimental Science Building/Vivarium/Phase 1 - Robert A. Welch Hall;
- e. reduce the total project cost for the Robert A. Welch Hall project to \$25,000,000 with funding from Revenue Financing System Bond Proceeds; and
- f. redesignate the Robert A. Welch Hall project as Phase 2 - Robert A. Welch Hall.

## BACKGROUND INFORMATION

### Previous Board Actions

Experimental Science Building - On June 20, 2006, the project was included in the CIP with a preliminary project cost of \$125,000,000 with funding of \$105,000,000 from Tuition Revenue Bond Proceeds and \$20,000,000 from PUF Bond Proceeds.

Vivarium - On June 20, 2006, the project was included in the CIP with a preliminary project cost of \$15,000,000 with funding from Revenue Financing System Bond Proceeds.

Robert A. Welch Hall - On August 11, 2006, the project was included in the CIP with a preliminary project cost of \$60,000,000 with funding of \$35,000,000 from PUF Bond Proceeds and \$25,000,000 from Revenue Financing System Bond Proceeds.

### Project Description

U. T. Austin has determined that a significant priority for the Experimental Science Building is to create improved space for chemistry research, and one of the most critical needs is chemistry research space currently housed in the most out-of-date portion of Robert A. Welch Hall. Freeing up a portion of Robert A. Welch Hall, by relocating chemistry research space to the completed Experimental Science Building, will allow the renovation of the vacated portion of Robert A. Welch Hall to be accomplished more expediently, more cost effectively, and in a more coordinated manner.

Combining the projects would allow for increased flexibility of use of the space and efficient use of the anticipated construction cost and time savings.

**13. U. T. Permian Basin: Science and Technology Complex - Request for appropriation of funds and authorization of expenditure for renovation portion of the project and resolution regarding parity debt**

RECOMMENDATION

The Chancellor concurs with the Interim Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Watts that the U. T. System Board of Regents approve the recommendations for the Science and Technology Complex project at U. T. Permian Basin as follows:

**Project Number:** 501-263  
**Project Delivery Method:** Competitive Sealed Proposals  
**Substantial Completion Date:** January 2010

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

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

- a. appropriate funds and authorize expenditure of funds of \$4,000,000 from Tuition Revenue Bond Proceeds and \$2,000,000 from Permanent University Fund (PUF) Bond Proceeds for the renovation portion of the project; and
- b. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
  - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
  - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and



- U. T. Permian Basin, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$4,000,000.

## BACKGROUND INFORMATION

### Debt Service

The 79th Legislature authorized \$54,000,000 of Tuition Revenue Bonds for a science and technology complex of which \$4,000,000 is being appropriated at this time. While the debt service is payable from pledged revenues, it is expected the State will reimburse debt service on Tuition Revenue Bonds through general revenue appropriations.

### Previous Board Action

On August 11, 2006, the project was included in the Capital Improvement Program (CIP) with a preliminary project cost of \$56,000,000 with funding of \$54,000,000 from Tuition Revenue Bond Proceeds and \$2,000,000 from PUF Bond Proceeds.

### Project Description

The repair and rehabilitation portion of the Science and Technology Complex project involves two projects. The renovation to the Mesa Building will address primarily backfill of the building and construction of additional classrooms, faculty offices, and student support space in the portion of the Mesa Building vacated by science and computer technology areas. The Industrial Technology Building will reconfigure previously unrenovated portions of the existing metal building plus infrastructure renovations for the roof, heating, venting, and air conditioning (HVAC), and other building systems. The facility will include classrooms, classroom laboratories, research space, offices, and controlled Physical Plant storage. The design development for the new work will be presented at a later date.

14. **U. T. San Antonio: Engineering Building, Phase II - Request for appropriation of funds and authorization of expenditure and resolution regarding parity debt**

## RECOMMENDATION

The Chancellor concurs with the Interim Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Romo that the

U. T. System Board of Regents approve the recommendations for the Engineering Building, Phase II project at U. T. San Antonio as follows:

**Project No.** 401-205  
**Project Delivery Method:** Construction Manager at Risk

**Substantial Completion Date:** June 2009

<b>Total Project Cost:</b>	<u>Source</u>	<u>Current</u>
	Tuition Revenue Bond Proceeds	\$74,250,000
	Permanent University Fund Bond Proceeds	<u>\$ 8,250,000</u>
		\$82,500,000

- a. appropriate funds and authorize expenditure of funds of \$74,250,000 from Tuition Revenue Bond Proceeds and \$8,250,000 from Permanent University Fund (PUF) Bond Proceeds; and
- b. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
  - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
  - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
  - U. T. San Antonio, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$74,250,000.

### BACKGROUND INFORMATION

#### Debt Service

The 79th Legislature authorized \$74,250,000 of Tuition Revenue Bonds for the engineering building. While the debt service is payable from pledged revenues, it is expected the State will reimburse debt service on Tuition Revenue Bonds through general revenue appropriations.

Previous Board Actions

On November 13, 2003, the project was included in the Capital Improvement Program (CIP) as the East Campus Building Phase I with a preliminary project cost of \$75,000,000 with funding of \$72,000,000 from Revenue Financing System Bond Proceeds and \$3,000,000 from Gifts. On April 12, 2004, the Chancellor approved the non-honorific name change for the project. On May 12, 2005, the Board approved the design development plans. On August 10, 2006, the Board approved the funding revision to \$74,250,000 from Tuition Revenue Bond Proceeds and \$8,250,000 from PUF Bond Proceeds.

Project Description

The Engineering Building, Phase II project consists of 150,000 gross square feet to house research and teaching laboratories, classrooms, seminar rooms, conference facilities, faculty and staff office, and student and faculty support facilities. The building will include sophisticated information technology features designed and installed for an information-intensive environment.

15. **U. T. Tyler: Completion/Renovation/Expansion of the Engineering, Science and Technology Building - Request for appropriation of funds and authorization of expenditure; authorization of partial institutional management; and resolution regarding parity debt**

RECOMMENDATION

The Chancellor concurs with the Interim Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Mabry that the U. T. System Board of Regents approve the recommendations for the Completion/Renovation/Expansion of the Engineering, Science and Technology Building project at U. T. Tyler as follows:

**Project Number:** 802-265  
**Project Delivery Method:** Competitive Sealed Proposals  
**Substantial Completion Date:** April 2009

<b>Total Project Cost:</b>	<u>Source</u>	<u>Current</u>
	Tuition Revenue Bond Proceeds	\$43,200,000
	Permanent University Fund Bond Proceeds	<u>\$ 4,800,000</u>
		\$48,000,000

- a. appropriate funds and authorize expenditure of funds of \$43,200,000 from Tuition Revenue Bond Proceeds and \$4,800,000 from Permanent University Fund Bond (PUF) Proceeds;

- b. authorize U. T. Tyler to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts for three stages of the project; and
- c. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
  - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
  - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
  - U. T. Tyler, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$43,200,000.

## BACKGROUND INFORMATION

### Debt Service

The 79th Legislature authorized \$43,200,000 of Tuition Revenue Bonds for the completion, renovation, and expansion of engineering and sciences facilities. While the debt service is payable from pledged revenues, it is expected the State will reimburse debt service on Tuition Revenue Bonds through general revenue appropriations.

### Previous Board Action

On August 11, 2006, the project was included in the Capital Improvement Program (CIP) with a preliminary project cost of \$48,000,000 with funding of \$43,200,000 from Tuition Revenue Bond Proceeds and \$4,800,000 from PUF Bond Proceeds.

### Project Description

The Renovation/Completion/Expansion of the Engineering, Science and Technology Building project involves six repair and rehabilitation projects. Space created by the completion of the Building will be renovated into an art studio involving the conversion of existing space for faculty offices, digital media lab, and graduate studio space. The University Center project will renovate existing space to include a food court, bookstore,

career/advising center, student program office space, meeting rooms, and faculty offices. The Science/Math/Hudnall Pirtle Roosth (HPR) Renovation will include improved teaching space and classrooms.

Three institutionally managed projects include the Renovation of the Interim Old Engineering Building, First Floor; Completion of Engineering, Science and Technology Building North Building; and Campus Access and Safety Improvements. U. T. Tyler Facilities Management personnel have the experience and capability to manage all aspects of the work.

**16. U. T. Health Science Center - Houston: Expansion of RAHC Public Health Satellite - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2007-2008 Capital Budget to increase the total project cost and appropriation of funds and authorization of expenditure**

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Willerson that the U. T. System Board of Regents approve the recommendations for the Expansion of RAHC (Regional Academic Health Center) Public Health Satellite project at The University of Texas Health Science Center at Houston as follows:

**Project No:** 701-250  
**Institutionally Managed:** Yes  No   
**Project Delivery Method:** Design/Build  
**Substantial Completion Date:** February 2007

<b>Total Project Cost:</b>	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Permanent University Fund Bond Proceeds	\$3,000,000	\$3,000,000
	Unexpended Plant Funds		<u>\$1,200,000</u>
			\$4,200,000

- a. amend the FY 2006-2011 Capital Improvement Program (CIP) and the FY 2007-2008 Capital Budget to increase the total project cost from \$3,000,000 to \$4,200,000; and
- b. appropriate additional funding and authorize expenditure of funds of \$1,200,000 from Unexpended Plant Funds.

## BACKGROUND INFORMATION

### Previous Board Actions

On August 7, 2003, the project was included in the CIP with a preliminary project cost of \$4,000,000 with funding of \$3,000,000 from Grants and \$1,000,000 from Unexpended Plant Funds. On May 11, 2006, the Board approved the design development plans, decreased the total project cost and revised the funding source to \$3,000,000 from Permanent University Fund (PUF) Bond Proceeds, and authorized institutional management.

### Project Description

U. T. Health Science Center - Houston is finishing out approximately 7,600 gross square feet of shell space already existing in the building. This addition will be used for Biosafety Level Three (BSL-3) laboratory space on the second floor, and community outreach and population based research on the first floor. Bids received for this project have escalated above design development estimates due to changes in the construction market thus requiring an increase in total project cost.

17. **U. T. Health Science Center - San Antonio: Cyclotron Addition - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2007-2008 Capital Budget to increase total project cost; approval to revise funding sources; appropriation of funds and authorization of expenditure; and resolution regarding parity debt**

## RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Cigarroa that the U. T. System Board of Regents approve the recommendations for the Cyclotron Addition at The University of Texas Health Science Center at San Antonio as follows:

**Project No.** 402-236  
**Project Delivery Method:** Construction Manager at Risk  
**Substantial Completion Date:** January 2007

<b>Total Project Cost:</b>	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Gifts	\$1,600,000	\$1,600,000
	Permanent University Fund Bond Proceeds	\$ 500,000	\$ 500,000
	Unexpended Plant Funds	<u>\$ 900,000</u>	\$ 700,000
	Revenue Financing System Bond Proceeds		<u>\$1,600,000</u>
		\$3,000,000	\$4,400,000

- a. amend the FY 2006-2011 Capital Improvement Program (CIP) and the FY 2007-2008 Capital Budget to increase the total project cost from \$3,000,000 to \$4,400,000;

- b. revise the funding sources;
- c. appropriate funds and authorize expenditure of funds; and
- d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
  - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
  - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
  - U. T. Health Science Center - San Antonio, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$1,600,000.

## BACKGROUND INFORMATION

### Debt Service

The \$1,600,000 of Revenue Financing System debt will be repaid from incremental revenue generated by the cyclotron. Average annual debt service on the project is expected to be \$186,000 over 12 years. The institution's debt service coverage is expected to be at least 1.9 times and average 2.4 times over FY 2007-2011.

### Previous Board Actions

On November 10, 2005, the project was included in the CIP with a preliminary project cost of \$3,000,000 with funding of \$1,600,000 from Gifts, \$900,000 from Unexpended Plant Funds, and \$500,000 from Permanent University Fund (PUF) Bond Proceeds Library, Equipment, Repair and Rehabilitation (LERR). On May 11, 2006, the Board approved the design development plans and funding was appropriated.

Project Description

The Cyclotron addition will add approximately 3,000 gross square feet to the Robert F. McDermott Clinical Science Building to house a state-of-the-art dual beam, negative ion cyclotron for basic research on learning, cognition, development, and aging on animal models for human diseases.

The additional funding of \$1,400,000 to increase the total project cost and revise the funding sources is to cover escalating construction costs that have taken place in the construction industry since the formulation of the project's original budget, market conditions, and complexity of the project.

**18. U. T. M. D. Anderson Cancer Center: Bastrop Facility Strategic Plan - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2007-2008 Capital Budget to increase total project cost and appropriation of funds and authorization of expenditure**

RECOMMENDATION

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

**Project No.:** 703-195  
**Institutionally Managed:** Yes  No   
**Project Delivery Method:** Competitive Sealed Proposals  
**Substantial Completion Date:** August 2008

<b>Total Project Cost:</b>	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Hospital Revenues	\$29,000,000	\$46,000,000
	Grants	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>
		\$33,000,000	\$50,000,000

- a. amend the FY 2006-2011 Capital Improvement Program (CIP) and the FY 2007-2008 Capital Budget to increase the total project cost from \$33,000,000 to \$50,000,000; and
- b. appropriate funds and authorize expenditure of \$17,000,000 from Hospital Revenues.



## BACKGROUND INFORMATION

### Previous Board Actions

On August 7, 2003, the project was included in the CIP with a preliminary project cost of \$9,000,000 with funding from Hospital Revenues. With the adoption of the FY 2006-2011 CIP on August 11, 2005, the project was included in the CIP with a preliminary project cost of \$21,000,000 with funding of \$10,000,000 from Revenue Financing System Bond Proceeds, \$7,000,000 from Hospital Revenues, and \$4,000,000 from Grants. On November 10, 2005, the Board approved the Bastrop Research and Education Building (Phase I) design development plans and appropriated \$7,000,000 from Hospital Revenues and \$4,000,000 from Grants for Phase I. On May 11, 2006, the Board approved the increase in total project cost from \$21,000,000 to \$30,000,000 with funding revised to \$26,000,000 from Hospital Revenues and \$4,000,000 from Grants and appropriated the additional \$19,000,000 from Hospital Revenues. On November 2, 2006, the Chancellor approved an increase in total project cost from \$30,000,000 to \$33,000,000 with funding of \$29,000,000 from Hospital Revenues and \$4,000,000 from Grants.

### Project Description

The scope of the project has been increased to build out approximately 33,280 gross square feet of shell space within the Bastrop Research and Education Building to provide basic research laboratories, education space, primate research laboratories, pathology support, and various site and infrastructure upgrades.

The increase in total project cost to build out the remaining areas will minimize the coordination and special measures required to ensure the safety of the transfer of primates.



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**Committee Meeting: 2/7/2007**

**Board Meeting: 2/8/2007**  
Austin, Texas

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

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>Convene</b>	11:30 a.m. <i>Chairman Clements</i>		
1. <b>U. T. Southwestern Medical Center - Dallas: Request to approve revised Mission Statement</b>	11:30 a.m. <b>Action</b> <i>President Wildenthal</i>	<b>Action</b>	<b>96</b>
2. <b>U. T. Southwestern Medical Center - Dallas: Authorization to purchase approximately 1.549 acres improved with a building located at 5641 Medical Center Drive, Dallas, Dallas County, Texas, from Ronald McDonald House of Dallas, Inc., a Texas nonprofit corporation, for a purchase price of \$3.2 million, for future use as the site for the main entrance to the U. T. Southwestern University Hospital - St. Paul campus; authorization to lease back the property to Ronald McDonald House of Dallas, Inc., for a term not to exceed three years; finding of public purpose; and resolution regarding parity debt</b>	11:40 a.m. <b>Action</b> <i>President Wildenthal</i> <i>Ms. Mayne</i>	<b>Action</b>	<b>98</b>
3. <b>U. T. Southwestern Medical Center - Dallas: Authorization to purchase approximately 0.651 of an acre improved with a building located at 1942 Chattanooga Place, Dallas, Dallas County, Texas, from Ronald McDonald House of Dallas, Inc., a Texas nonprofit corporation, for a purchase price of \$810,000 for future expansion of U. T. Southwestern University Hospitals; and resolution regarding parity debt</b>	11:45 a.m. <b>Action</b> <i>President Wildenthal</i> <i>Ms. Mayne</i>	<b>Action</b>	<b>103</b>

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
4. <b>U. T. M. D. Anderson Cancer Center: Authorization to purchase approximately 28.8008 acres of unimproved real property located at the southeast corner of Corder Street and the I. &amp; G.N.R.R. Co. railway line, Houston, Harris County, Texas, and undivided interests in Lots 3 and 4, Block 38, Institute Place Subdivision, Lot 7, Block 11, Institute Place Subdivision, and Lot 2, Block 23, Institute Place Subdivision, Houston, Harris County, Texas, from Institute Place Partners, Ltd., a Texas limited partnership, for a purchase price not to exceed fair market value as established by independent appraisals for future use as a location for buildings for campus administrative and support functions</b>	11:50 a.m. <b>Action</b> <i>President Mendelsohn Ms. Mayne</i>	<b>Action</b>	<b>107</b>
5. <b>U. T. M. D. Anderson Cancer Center: Authorization to purchase approximately 2.2497 acres described as Blocks 24 and 25, Institute Place Subdivision, Houston, Harris County, Texas, and improvements located thereon from Hepburn Estates, L.P., a Texas limited partnership, for a purchase price not to exceed fair market value as established by independent appraisals for future use as a location for buildings for campus administrative and support functions</b>	11:55 a.m. <b>Action</b> <i>President Mendelsohn Ms. Mayne</i>	<b>Action</b>	<b>111</b>
6. <b>U. T. System: Quarterly report on health issues by Executive Vice Chancellor Shine</b>	12:00 p.m. <b>Report</b> <i>Dr. Shine</i>	Not on Agenda	<b>115</b>
7. <b>U. T. Southwestern Medical Center - Dallas: Presentation on approaches to research facilities</b>	12:10 p.m. <b>Report</b> <i>President Wildenthal Dr. Shine</i>	Not on Agenda	<b>115</b>
<b>Adjourn</b>	12:30 p.m.		

1. **U. T. Southwestern Medical Center - Dallas: Request to approve revised Mission Statement**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Wildenthal that proposed changes to the U. T. Southwestern Medical Center - Dallas Mission Statement as set forth below be approved by the U. T. System Board of Regents and forwarded to the Texas Higher Education Coordinating Board for approval.

**Revised Mission Statement**

The mission of U. T. Southwestern Medical Center is to improve the health care in our community, Texas, our nation, and the world through innovation and education. We will educate the next generation of leaders in patient care, biomedical science, and disease prevention; conduct high-impact, internationally recognized biomedical research; and deliver patient care that brings U. T. Southwestern's scientific advances to the bedside - focusing on quality, safety, and service.

**Current Mission Statement**

The University of Texas Southwestern Medical Center at Dallas is a component institution of The University of Texas System and is committed to pursuing high standards of achievement in instruction, research, and clinical activities. Since its inception in 1943, U. T. Southwestern has evolved as one of the leading biomedical institutions in the country and its programs are designed and implemented with the intent to sustain this progress in the future.

As an academic health science center, the central mission of the institution is to educate health professionals whose lifelong career objectives will be to provide the best possible care, apply the most appropriate treatment modalities, and continue to seek information fundamental to the treatment and prevention of disease. Within an environment of interdisciplinary activity and academic freedom at Southwestern, students receive training from faculty scholars who have in-depth expertise in the many specialties of health care and the biomedical sciences. Faculty members also engage in research and patient care so that they can generate new knowledge in the fight against disease and maintain their clinical skills while serving the people of Texas to the best of their ability. Research findings are made available directly to students and indirectly to the general public as practicing professionals adopt new treatment modalities. The focus of the faculty, students, and administration at The University of Texas Southwestern Medical Center at Dallas will remain on providing exemplary educational programs, creating new knowledge, delivering quality medical care, maintaining the highest ethical standards, advancing the scientific basis of medical practice, and demonstrating concern and compassion for all people. Every aspect of the university's operation will be conducted in as cost-effective a manner as possible.

The institution consists of the Southwestern Medical School, the Southwestern Graduate School of Biomedical Sciences, and the Southwestern Allied Health Sciences School and offers degrees and programs with subject matter limited to health-related fields.

The central purpose of The University of Texas Southwestern Medical School at Dallas is to produce physicians who will be inspired to maintain lifelong medical scholarship and who will apply the knowledge gained in a responsible and humanistic manner to the care of patients. The Southwestern Medical School has assumed responsibility for the continuum of medical education. The institution offers instructional programs not only in undergraduate medical education leading to the M.D. degree, but also graduate training in the form of residency positions and fellowships as well as continuing education for practicing physicians and medical scientists. An important focus of the educational effort is training primary care physicians and preparing doctors who will practice in underserved areas of Texas. Another instructional role of Southwestern Medical School faculty members is that of fully preparing those medical students who seek a career in academic medicine and research, including the opportunity to earn both the M.D. and Ph.D. degrees simultaneously.

The Southwestern Graduate School of Biomedical Sciences provides well qualified individuals seeking an M.A., M.S., or Ph.D. degree with the opportunity and the encouragement to investigate rigorously and be creative in solving significant problems in the biological, physical, and behavioral sciences. In addition to acquiring information in their area of research expertise, graduate students at the Southwestern Medical Center are encouraged to develop and test new ideas in the classroom and to communicate their ideas to others within the research-oriented medical community. Although enrolled in a specific program, the students are not restricted to courses in their major field of study. Exposure to a wide variety of academic disciplines is necessary to prepare each individual for the rapidly changing emphasis in the biomedical sciences. Therefore, graduate students at U. T. Southwestern gain a wide perspective of contemporary biomedical science through interdisciplinary courses, seminars and informal discussions involving scholastic interaction with students and faculty from other educational programs within the University.

The educational programs of the Southwestern Allied Health Sciences School have been established to educate individuals at the baccalaureate and master's degree levels for those professions which support the health care delivery team concept. The School offers baccalaureate degree programs in several fields, post-baccalaureate courses of study, certificate programs, and master's degree programs in allied health science fields of study. As an integral part of Southwestern Medical Center, the School works cooperatively in education, research, and service contexts. It prepares allied health professionals of the highest quality and competency to help meet health care needs of the people of Texas. Through research and scholarly pursuits related to health care, it advances scientific knowledge and practices of the allied health profession. It offers consultation, technical assistance, and professional services to meet education and health care needs of the community. In addition, it contributes to the continued growth and development of allied health professions, including reduction of barriers to career

advancement through pathways to graduate or post-graduate education. The School views its community obligations as being important and therefore works actively to publicize career opportunities and respond in an appropriate manner to the requirements of health care institutions, agencies, and service providers in the area.

### BACKGROUND INFORMATION

Changes to the Mission Statement were last adopted on April 23, 1999.

2. **U. T. Southwestern Medical Center - Dallas: Authorization to purchase approximately 1.549 acres improved with a building located at 5641 Medical Center Drive, Dallas, Dallas County, Texas, from Ronald McDonald House of Dallas, Inc., a Texas nonprofit corporation, for a purchase price of \$3.2 million, for future use as the site for the main entrance to the U. T. Southwestern University Hospital - St. Paul campus; authorization to lease back the property to Ronald McDonald House of Dallas, Inc., for a term not to exceed three years; finding of public purpose; and resolution regarding parity debt**

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and President Wildenthal that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. Southwestern Medical Center - Dallas, to

- a. purchase approximately 1.549 acres improved with a building located at 5641 Medical Center Drive, Dallas, Dallas County, Texas, from Ronald McDonald House of Dallas, Inc., a Texas nonprofit corporation, for a purchase price of \$3.2 million, plus all due diligence expenses, closing costs, and other costs and expenses to complete the acquisition of the property as deemed necessary or advisable by the Executive Director of Real Estate, for future use as the site for the main entrance to the U. T. Southwestern University Hospital - St. Paul campus;
- b. lease back the subject property to Ronald McDonald House of Dallas, Inc., for a term not to exceed three years for an annual rent equal to five percent of the purchase price, with all operating expenses to be paid by Ronald McDonald House;
- c. determine that the lease serves a public purpose appropriate to the function of U. T. Southwestern Medical Center - Dallas, and that the consideration to the U. T. System and U. T. Southwestern Medical Center - Dallas for the lease is adequate;

- d. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendations; and
- e. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
  - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
  - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System;
  - U. T. Southwestern Medical Center - Dallas, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$3.2 million; and
  - this resolution satisfies the official intent requirements set forth in Section 1.150-2 of the *Code of Federal Regulations* that evidences the Board's intention to reimburse project expenditures with bond proceeds.

### BACKGROUND INFORMATION

Ronald McDonald House of Dallas, Inc., operates the Ronald McDonald House on the subject property, which is immediately across Medical Center Drive from the U. T. Southwestern University Hospital - St. Paul campus. The subject property is strategically located at the site identified in the institution's Campus Master Plan as the proposed main entrance to the University Hospital - St. Paul campus. Acquisition of the subject property is essential to the ultimate development of this main entrance. The subject property is within the acquisition area authorized by House Bill 287 passed by the 60th Legislature in 1967. The property is also within the acquisition area identified by the institution in the Campus Master Plan approved by the Board of Regents on August 10, 2000.

Concurrently with the acquisition of the subject property, U. T. Southwestern Medical Center - Dallas will lease back the building and land to Ronald McDonald House of Dallas, Inc., during the term of its construction of a new Ronald McDonald House. The proposed annual rental rate is five percent of the purchase price, or \$160,000 per year, plus payment of operating expenses during the term of the lease. The permitted use under the lease will be solely the operation of the Ronald McDonald House of Dallas.

Market rental would likely be in the range of six or seven percent of the purchase price. Hence, the proposed rental is somewhat below market. The Attorney General of the State of Texas has advised in Opinion No. MW-373 (1981) that, for the use of university facilities at a below market rental to comply with the Texas Constitution, three requirements must be met: (1) the use of the property must serve a public purpose, appropriate to the function of the university, (2) adequate consideration must be received by the university, and (3) the university must maintain controls over the user's activities to ensure that the public purpose is achieved.

Ronald McDonald House of Dallas is a temporary residence that serves and sustains families of seriously ill or injured children. The organization provides temporary lodging and other supportive services such as private rooms, three meals daily, laundry facilities, transportation, and family activities for the parents and siblings of seriously ill children receiving treatment at a Dallas hospital. Additionally, the services are often provided at much reduced prices. These services provide invaluable support to patients and families being treated at University Hospital - St. Paul campus, Children's Medical Center, and Parkland Hospital. In 2005, there were 723 family visits to the Ronald McDonald House of Dallas; in 2006, there were approximately 750 visits. Thus, it is U. T. Southwestern's position that the activities of the Ronald McDonald House on the subject property directly support the mission of the institution's clinics and hospitals. U. T. Southwestern Medical Center - Dallas fully expects this support to continue when the new Ronald McDonald House is completed.

To fund the purchase, U. T. Southwestern Medical Center - Dallas will use U. T. System Revenue Financing System (RFS) debt. The \$3.2 million in RFS debt will be repaid from local income. Debt service on the \$3.2 million RFS debt is estimated at approximately \$268,000 annually. The institution's debt service coverage ratio is expected to be at least 1.7 times, and to average 2.3 times during the period from FY 2007 through FY 2011. The terms and conditions of the proposed purchase and leaseback are specified in the transaction summary below:

#### Transaction Summary

##### **Acquisition of Ronald McDonald Site**

Institution: U. T. Southwestern Medical Center - Dallas

Type of Transaction: Purchase

Total Area: Approximately 1.549 acres



Improvements: Building containing approximately 25,962 square feet

Location: 5641 Medical Center Drive, Dallas, Dallas County, Texas; see map

Seller/Tenant: Ronald McDonald of Dallas, Inc., a Texas nonprofit corporation

Purchase Price: \$3.2 million

Appraised Value: \$3.2 million (Mark Donoho Company, August 22, 2006)

Source of Funds: Revenue Financing System debt to be repaid from local income

Intended Use: Future main entrance to U. T. Southwestern University Hospital – St. Paul campus

#### **Lease of Ronald McDonald Site**

Institution: U. T. Southwestern Medical Center – Dallas

Type of Transaction: Lease

Total Area: Approximately 1.549 acres

Improvements: Building containing approximately 25,962 square feet

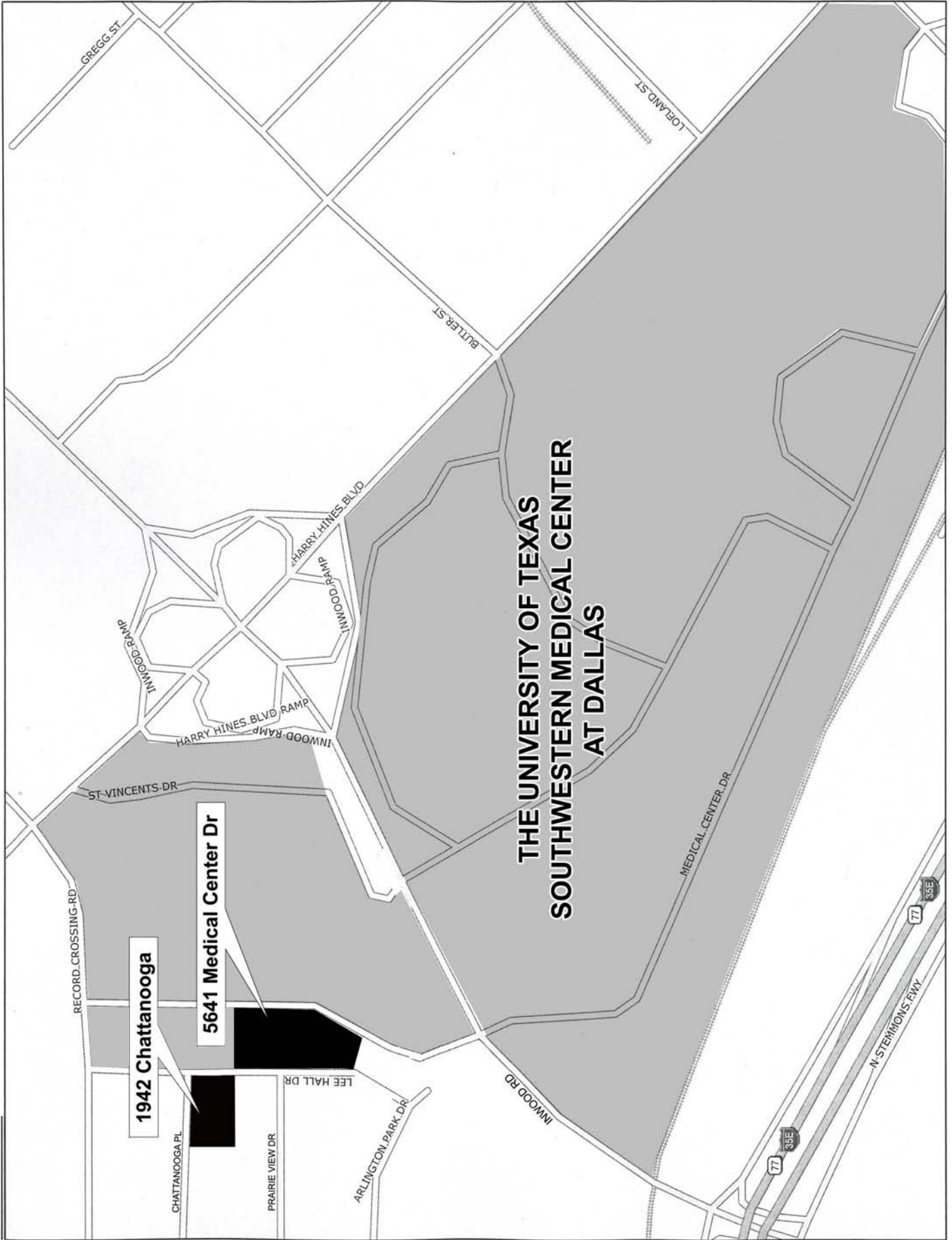
Location: 5641 Medical Center Drive, Dallas, Dallas County, Texas; see attached map

Tenant: Ronald McDonald House of Dallas, Inc., a Texas nonprofit corporation

Consideration: Five percent of the purchase price, or \$160,000 annually, plus payment of all operating expenses; permitted use will be restricted to use as the Ronald McDonald House of Dallas

Lease Term: Not to exceed three years

Intended Use: Operation of the Ronald McDonald House of Dallas until Ronald McDonald House of Dallas, Inc., has constructed its new facility



3. **U. T. Southwestern Medical Center - Dallas: Authorization to purchase approximately 0.651 of an acre improved with a building located at 1942 Chattanooga Place, Dallas, Dallas County, Texas, from Ronald McDonald House of Dallas, Inc., a Texas nonprofit corporation, for a purchase price of \$810,000 for future expansion of U. T. Southwestern University Hospitals; and resolution regarding parity debt**

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, The Executive Vice Chancellor for Health Affairs, and President Wildenthal that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. Southwestern Medical Center - Dallas, to

- a. purchase approximately 0.651 of an acre improved with a building located at 1942 Chattanooga Place, Dallas, Dallas County, Texas, from Ronald McDonald House of Dallas, Inc., a Texas nonprofit corporation, for a purchase price of \$810,000, plus all due diligence expenses, closing costs, and other costs and expenses to complete the acquisition of the property as deemed necessary or advisable by the Executive Director of Real Estate, for future expansion of U. T. Southwestern University Hospitals;
- b. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation; and
- c. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
  - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
  - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System;
  - U. T. Southwestern Medical Center - Dallas, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the

Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$810,000; and

- this resolution satisfies the official intent requirements set forth in Section 1.150-2 of the *Code of Federal Regulations* that evidences the Board's intention to reimburse project expenditures with bond proceeds.

### BACKGROUND INFORMATION

Ronald McDonald House of Dallas, Inc., owns the subject property at 1942 Chattanooga Place, Dallas, Dallas County, Texas. The subject property is within the acquisition area authorized by House Bill 287 passed by the 60th Legislature in 1967. The property is also within the acquisition area identified by the institution in the Campus Master Plan approved by the Board of Regents on August 10, 2000.

Acquisition of the subject property is part of the land assemblage for the long-term expansion of U. T. Southwestern University Hospitals. The property is located directly across the street from the current Ronald McDonald House of Dallas. That property, including the 1.549 acres on which the Ronald McDonald House is located, is also proposed for acquisition in a separate Agenda Item (see Item 2 on Page 98). In the short term, the 0.651 acre property will be used as office space for institutional purposes.

To fund the purchase, U. T. Southwestern Medical Center - Dallas will use U. T. System Revenue Financing System (RFS) debt. The \$810,000 in RFS debt will be repaid from local income. Debt service on the \$810,000 RFS debt is estimated at approximately \$68,000 annually. The institution's debt service coverage ratio is expected to be at least 1.7 times, and to average 2.3 times during the period from FY 2007 through FY 2011. The terms and conditions of the proposed purchase are specified in the transaction summary below:

#### Transaction Summary

Institution:	U. T. Southwestern Medical Center - Dallas
Type of Transaction:	Purchase
Total Area:	0.651 of an acre
Improvements:	One-story building containing approximately 9,086 square feet
Location:	1942 Chattanooga Place, Dallas, Dallas County, Texas; see attached map

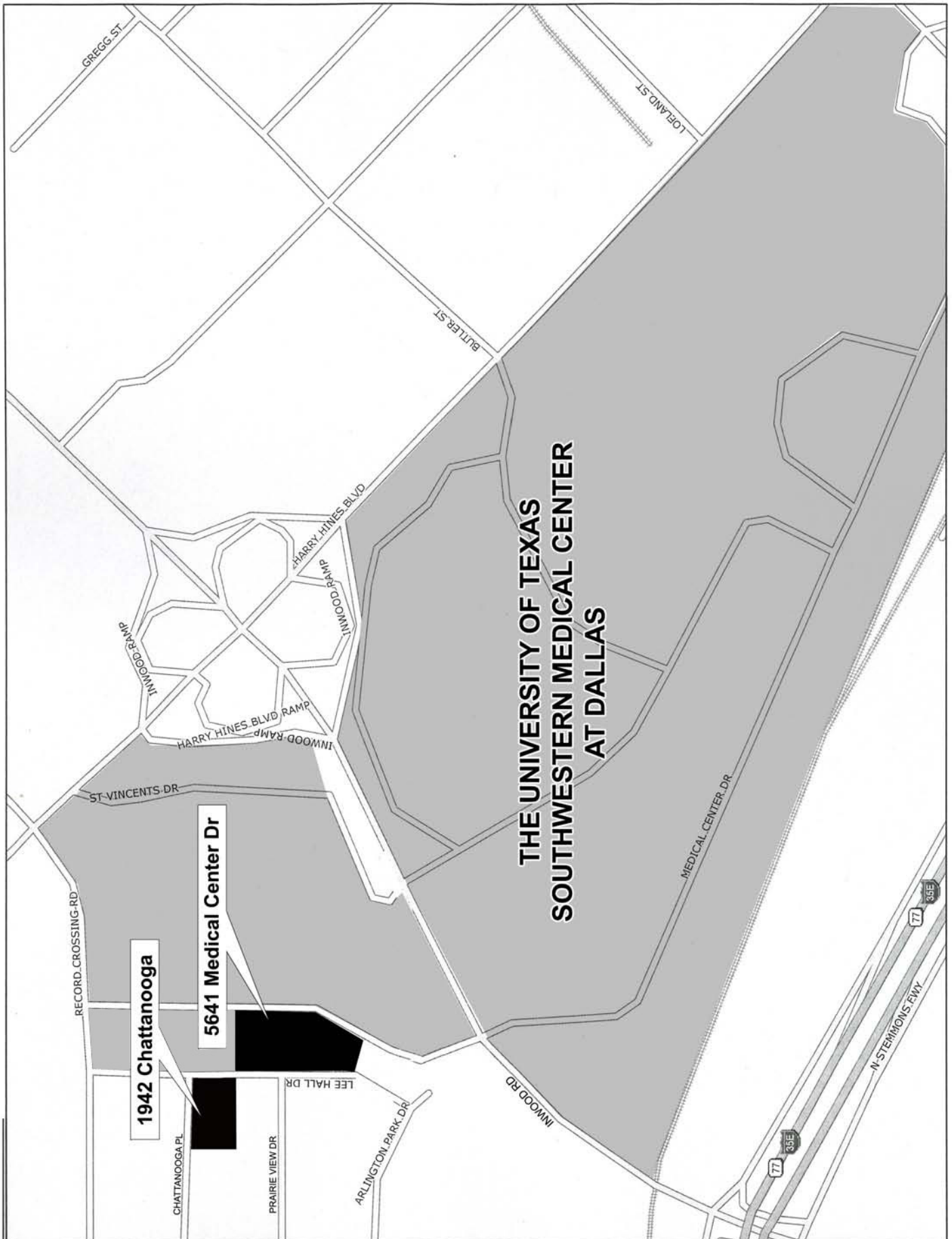
Seller: Ronald McDonald House of Dallas, Inc., a Texas nonprofit corporation

Purchase Price: \$810,000

Appraised Value: \$810,000 (Mark Donoho Company, August 21, 2006)

Source of Funds: Revenue Financing System debt to be repaid from local income

Intended Use: Short-term use will be office space for institutional purposes; long-term use will be expansion of U. T. Southwestern University Hospitals



4. **U. T. M. D. Anderson Cancer Center: Authorization to purchase approximately 28.8008 acres of unimproved real property located at the southeast corner of Corder Street and the I. & G.N.R.R. Co. railway line, Houston, Harris County, Texas, and undivided interests in Lots 3 and 4, Block 38, Institute Place Subdivision, Lot 7, Block 11, Institute Place Subdivision, and Lot 2, Block 23, Institute Place Subdivision, Houston, Harris County, Texas, from Institute Place Partners, Ltd., a Texas limited partnership, for a purchase price not to exceed fair market value as established by independent appraisals for future use as a location for buildings for campus administrative and support functions**

#### RECOMMENDATION

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

- a. purchase approximately 28.8008 acres of unimproved real property located at the southeast corner of Corder Street and the I. & G.N.R.R. Co. railway line, Houston, Harris County, Texas, and undivided interests in Lots 3 and 4, Block 38, Institute Place Subdivision, Lot 7, Block 11, Institute Place Subdivision, and Lot 2, Block 23, Institute Place Subdivision, Houston, Harris County, Texas, from Institute Place Partners, Ltd., a Texas limited partnership, for a purchase price not to exceed fair market value as established by independent appraisals, plus all due diligence expenses, closing costs, and other costs and expenses to complete the acquisition of the property as deemed necessary or advisable by the Executive Director of Real Estate, for future use as a location for buildings for campus administrative and support functions; and
- b. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

#### BACKGROUND INFORMATION

Large tracts of undeveloped land in reasonable proximity to the U. T. M. D. Anderson Cancer Center's existing facilities in the Texas Medical Center, Harris County, Texas, are scarce. The 28.8008 acres available in the Institute Place Subdivision, which is referred to as the "Pawnee site," is such a site.

U. T. M. D. Anderson Cancer Center has concluded that its main and south campuses should be reserved for use for research and critical patient care functions. Accordingly, the institution proposes to relocate many administrative and support activities currently in the main and south campuses to allow expansion of the research and patient care functions. The subject property, together with the 2.2497-acre site in Blocks 24 and 25 proposed in Item 5 on Page 111, are intended to serve as relocation sites.

Although neither property is within the most recent Campus Master Plan, both represent strategic acquisitions for the institution. The availability of the properties for acquisition comes at a time when land prices within the core Texas Medical Center (TMC) have risen significantly as users and developers realize how little developable land remains within the TMC. Concurrently, transportation issues between the main and the south campuses have arisen as physicians begin to utilize the research facilities on the south campus. The institution's focus on those issues has led it to identify the strategic importance of keeping research, patient treatment, and key administrative activities in a more compact area. Moreover, the current pace of planned development in the south campus area will likely result in the research park being built out sooner than previously anticipated.

To free up key space within the TMC and to avoid tying up south campus land with lower priority uses, the institution proposes to move many campus support and operations activities out of the central "core" area (the area from the main TMC campus to the south campus) to a location where land values are significantly lower. This move will enable the Cancer Center to maximize its strategic use of more valuable land in the "core" area and to simplify the transportation problems and thus better utilize limited physician and researcher time.

Although the institution will soon have some developable land in the mid-campus area between Braeswood Boulevard and Old Spanish Trail, the number of building sites will be too limited to achieve the institution's relocation plan. Moreover, the relocation of important, but noncritical functions requires land within reasonable proximity to the main and south campuses. The Pawnee site meets this requirement.

The Pawnee site will have direct access to the south campus via Hepburn Street to Cambridge Street. Completion of the Bertner Road extension will provide quick access to the main campus via this same route to the East-West Road across the south campus to the Bertner Road extension.

To fund the purchase, U. T. M. D. Anderson Cancer Center will use institutional fund balances. The terms and conditions of the proposed ground lease are specified in the transaction summary on the next page.



### Transaction Summary

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

Type of Transaction: Purchase

Total Area: Approximately 28.8008 acres

Improvements: None

Location: Southeast corner of Corder Street and the I. & G.N.R.R. Co. railway line, Houston, Harris County, Texas; see attached map

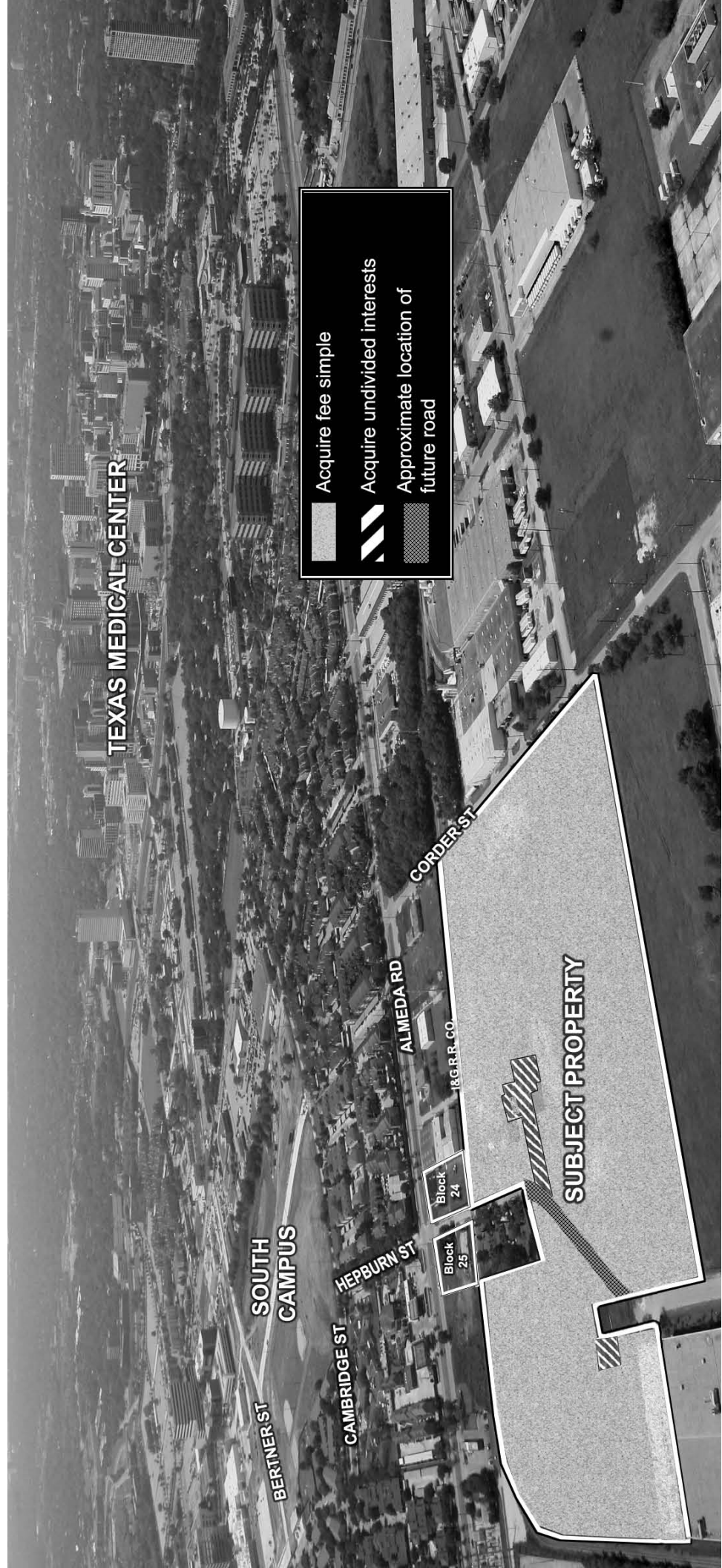
Seller: Institute Place Partners, Ltd., a Texas limited partnership

Purchase Price: Not to exceed the fair market value as established by independent appraisals

Appraised Values: \$32,410,000 (\$27.59 per square foot) (Stanfield & Associates, August 14, 2006, as updated October 31, 2006)  
\$35,280,000 (\$28.21 per square foot) (Edward B. Schultz & Associates, December 4, 2006)

Source of Funds: Institutional fund balances

Intended Use: Location for buildings for campus administrative and support functions



TEXAS MEDICAL CENTER

SOUTH CAMPUS

BERTNER ST

CAMBRIDGE ST

HEPBURN ST

ALMEDA RD

CORDER ST

Block 24

Block 25

18G R.R. CO.

SUBJECT PROPERTY

Acquire fee simple

Acquire undivided interests

Approximate location of future road

5. **U. T. M. D. Anderson Cancer Center: Authorization to purchase approximately 2.2497 acres described as Blocks 24 and 25, Institute Place Subdivision, Houston, Harris County, Texas, and improvements located thereon from Hepburn Estates, L.P., a Texas limited partnership, for a purchase price not to exceed fair market value as established by independent appraisals for future use as a location for buildings for campus administrative and support functions**

### RECOMMENDATION

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

- a. purchase approximately 2.2497 acres described as Blocks 24 and 25, Institute Place Subdivision, Houston, Harris County, Texas, and improvements located thereon, from Hepburn Estates, L.P., a Texas limited partnership, for a purchase price not to exceed fair market value as established by independent appraisals, plus all due diligence expenses, closing costs, and other costs and expenses to complete the acquisition of the property as deemed necessary or advisable by the Executive Director of Real Estate, for future use as a location for buildings for campus administrative and support functions; and
- b. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

### BACKGROUND INFORMATION

The subject property, Blocks 24 and 25 of Institute Place Subdivision, fronts on Alameda Road and is across the railway tracks from a 28.8008-acre site for which the institution is contemporaneously requesting U. T. System Board of Regents' approval via a separate Agenda Item (see Item 4 on Page 107). The two blocks constituting the subject property lie on opposite sides of Hepburn Street. Hepburn Street will ultimately connect to Pawnee Street, which will run through the 28.8008-acre site.

U. T. M. D. Anderson Cancer Center has concluded that its main and south campuses in the Texas Medical Center (TMC) should be reserved for use for research and critical patient care functions. Accordingly, the institution proposes to relocate many administrative and support activities currently in the main and south campuses to allow expansion of the research and patient care functions. The subject property, together with the adjacent 28.8008-acre site, are intended to serve as relocation sites.

Although neither property is within the most recent Campus Master Plan, both represent strategic acquisitions for the institution. The availability of the properties for acquisition comes at a time when land prices within the core TMC have risen significantly as users and developers realize how little developable land remains within the TMC.

Concurrently, transportation issues between the main and the south campuses have arisen as physicians begin to utilize the research facilities on the south campus. The institution's focus on those issues has led it to identify the strategic importance of keeping research, patient treatment, and key administrative activities in a more compact area. Moreover, the current pace of planned development in the south campus area will likely result in the research park being built out sooner than previously anticipated.

To free up key space within the TMC and to avoid tying up south campus land with lower priority uses, the institution proposes to move many campus support and operations activities out of the central "core" area (the area from the main TMC campus to the south campus) to a location where land values are significantly lower. This move will enable the Cancer Center to maximize its strategic use of more valuable land in the "core" area and to simplify the transportation problems and thus better utilize limited physician and researcher time.

Although the Cancer Center will soon have some developable land in the mid-campus area between Braeswood Boulevard and Old Spanish Trail, the number of building sites will be too limited to achieve the institution's relocation plan. Moreover, the relocation of important, but noncritical functions requires land within reasonable proximity to the main and south campuses. The subject property has direct access to the south campus via Hepburn Street to Cambridge Street, and the completion of the Bertner Road extension will provide quick access to the main campus.

Institutional fund balances will be used to fund the purchase, the terms and conditions of which are reflected in the transaction summary below:

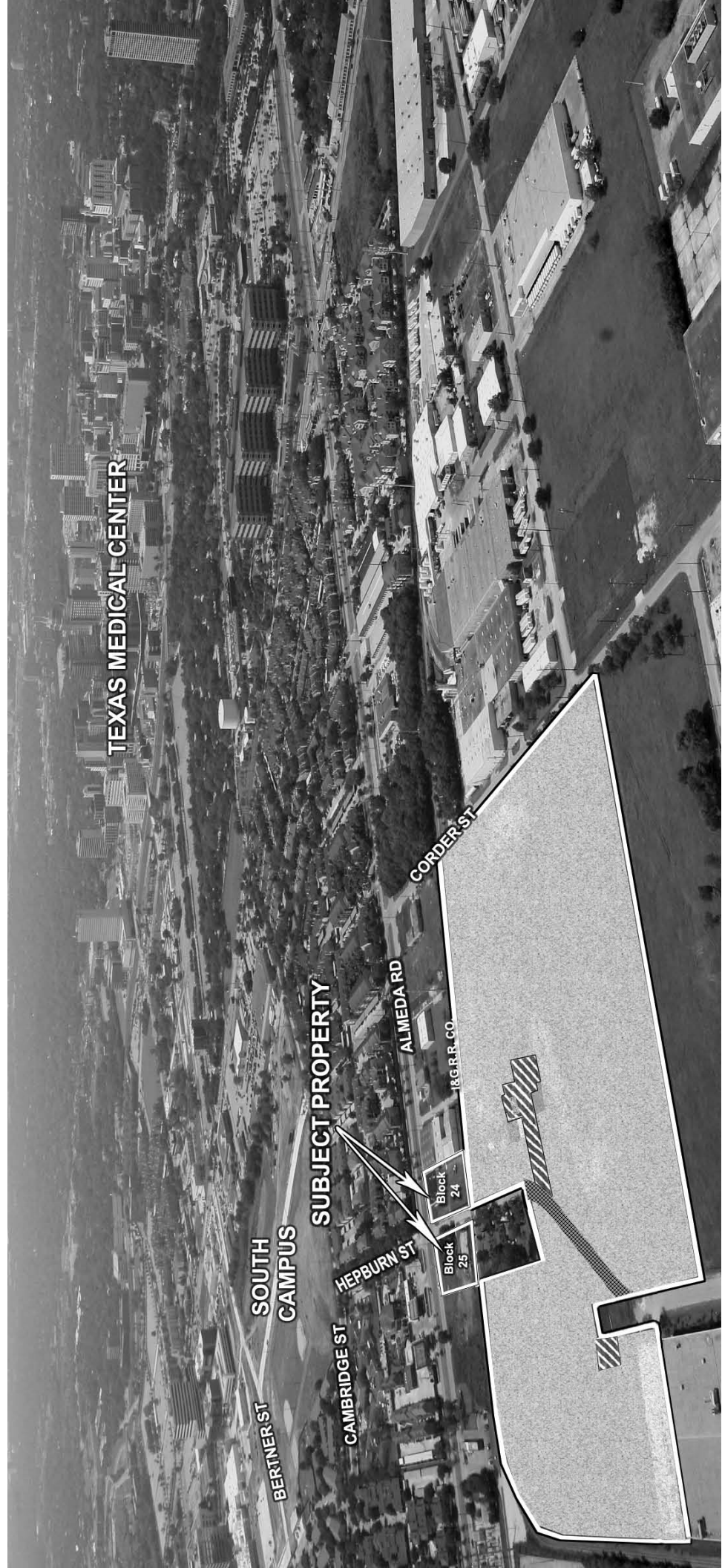
#### Transaction Summary

Institution:	U. T. M. D. Anderson Cancer Center
Type of Transaction:	Purchase
Total Area:	Approximately 2.2497 acres
Improvements:	Block 24 has three metal buildings; Block 25 is vacant
Location:	Blocks 24 and 25, Institute Place Subdivision, Houston, Harris County, Texas; see attached map
Seller:	Hepburn Estates, L.P., a Texas limited partnership
Purchase Price:	Not to exceed fair market value as established by independent appraisals

Appraised Values: \$4,836,000 (\$47.12 per square foot) (Stanfield & Associates, September 5, 2006)  
\$4,105,000 (\$40.00 per square foot) (Edward B. Schultz & Associates, December 4, 2006)

Source of Funds: Institutional fund balances

Intended Use: Location for buildings for campus administrative and support functions



TEXAS MEDICAL CENTER

SOUTH CAMPUS

SUBJECT PROPERTY

BERTNER ST

CAMBRIDGE ST

HEPBURN ST

ALMEDA RD

CORDER ST

Block 24

Block 25

186 R.R. CO.

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

REPORT

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

7. **U. T. Southwestern Medical Center - Dallas: Presentation on approaches to research facilities**

REPORT

President Wildenthal and Executive Vice Chancellor Shine will report on research facilities and the factors and considerations used in determining research space needs and requirements. Background materials are set forth on Pages 33 - 46 of the Supplemental Materials (Volume 2) of the Agenda Book.



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Committee Meeting: 2/7/2007

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

Board Meeting: 2/8/2007  
Austin, Texas

	Committee Meeting	Board Meeting	Page
<b>A. CONVENE MEETING OF FINANCE AND PLANNING COMMITTEE</b>	1:00 p.m. Chairman Rowling		
1. U. T. System: Discussion and appropriate action related to approval of <i>Docket No. 129</i>	1:00 p.m. <b>Discussion</b> Dr. Kelley	<b>Action</b>	<b>116</b>
2. U. T. System: Report on the Analysis of Financial Condition for Fiscal Year 2006	1:10 p.m. <b>Report</b> Mr. Wallace	Not on Agenda	<b>116</b>
3. U. T. System: Key Financial Indicators Report and Monthly Financial Report	1:25 p.m. <b>Report</b> Dr. Kelley	Not on Agenda	<b>117</b>
4. U. T. System Board of Regents: Adoption of Seventeenth Supplemental Resolution authorizing Revenue Financing System Bonds in an amount not to exceed \$500,000,000; authorization to complete all related transactions; and resolution regarding parity debt	1:40 p.m. <b>Action</b> Mr. Aldridge	<b>Action</b>	<b>126</b>
5. U. T. System: Approval of additional aggregate amount of \$18,160,000 of Revenue Financing System Equipment Financing for Fiscal Year 2007 and resolution regarding parity debt	1:45 p.m. <b>Action</b> Mr. Aldridge	<b>Action</b>	<b>128</b>
6. U. T. System Board of Regents: Investment Reports for the fiscal quarter ended November 30, 2006, and The University of Texas Investment Management Company (UTIMCO) Performance Summary Report	1:50 p.m. <b>Report</b> Ms. Iberg	<b>Report</b>	<b>131</b>



	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>B. CONVENE JOINT MEETING WITH AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE</b>	<i>2:00 p.m.</i> <i>Chairman Rowling</i>		
<b>7. U. T. System: Report on the Fiscal Year 2006 Annual Financial Report including the report on the U. T. System Financial Statement Audit performed by Deloitte &amp; Touche LLP</b>	<i>2:00 p.m.</i> <b>Report</b> <i>Mr. Wallace</i> <i>Mr. Lenfant,</i> <i>Deloitte &amp; Touche</i> <i>Mr. Chaffin</i> <i>Ms. Barrett</i> <i>2:20 p.m.</i>	Not on Agenda	<b>137</b>
<b>Adjourn</b>			

A. CONVENE MEETING OF FINANCE AND PLANNING COMMITTEE

1. **U. T. System: Discussion and appropriate action related to approval of Docket No. 129**

**RECOMMENDATION**

It is recommended that *Docket No. 129*, beginning on Page Docket - 1, be approved. The Docket is printed on green paper following the Docket tab at the back of the Supplemental Materials (Volume 2) of the Agenda Book.

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

2. **U. T. System: Report on the Analysis of Financial Condition for Fiscal Year 2006**

The Analysis of Financial Condition is a broad annual financial evaluation that rates U. T. System institutions based on the factors analyzed as either "Satisfactory," "Watch," or "Unsatisfactory." The Report on the Analysis of Financial Condition for Fiscal Year 2006 is set forth on Pages 47 - 109 of the Supplemental Materials (Volume 2) of the Agenda Book.

An Executive Summary of the report can be found on Pages 49 - 53 of the Supplemental Materials (Volume 2) of the Agenda Book. One institution's rating has been downgraded to "Watch" from "Satisfactory," one institution's rating remains at "Watch," and the rating of one institution has been upgraded from "Unsatisfactory" to "Watch."

**REPORT**

Financial analysis is performed from each institution's Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Assets. The ratios presented in this report are ratios commonly used by bond rating agencies, public accounting firms, and consulting firms. The following ratios were analyzed: Composite Financial Index, Operating Expense Coverage, Annual Operating Margin, Expendable Resources to Debt, Debt Burden, Debt Service Coverage, and Full-time Equivalent Student Enrollment (academic institutions only).

The Analysis of Financial Condition has been prepared since 1995 to track financial ratios to determine if the financial condition of the institutions is improving or declining. This analysis compares trends for Fiscal Year 2002 through Fiscal Year 2006.

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

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will discuss the Key Financial Indicators Report, as set forth on Pages 118 - 125 that follow, and the December Monthly Financial Report (MFR), as set forth on Pages 110 - 135 of the Supplemental Materials (Volume 2) of the Agenda Book. The reports represent the consolidated and individual operating results of the U. T. System institutions.

**REPORT**

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

The MFR is provided as support for the Key Financial Indicators. The MFR includes the detailed numbers behind the System-wide graphs as well as detail for each individual institution as of December 2006.

















# THE UNIVERSITY OF TEXAS SYSTEM



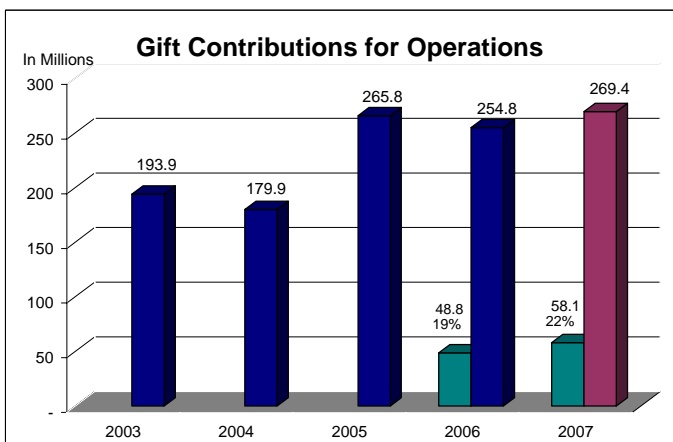
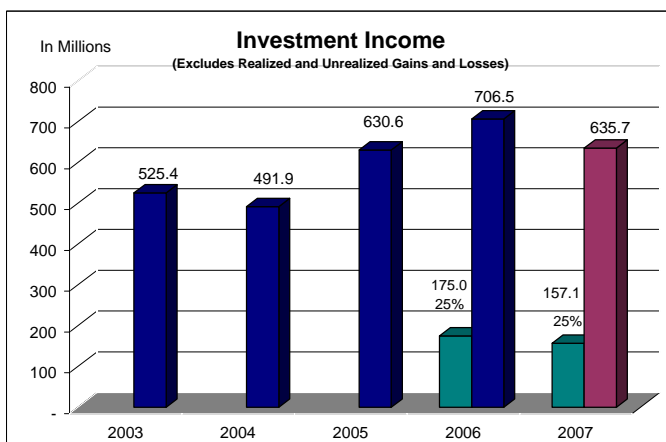
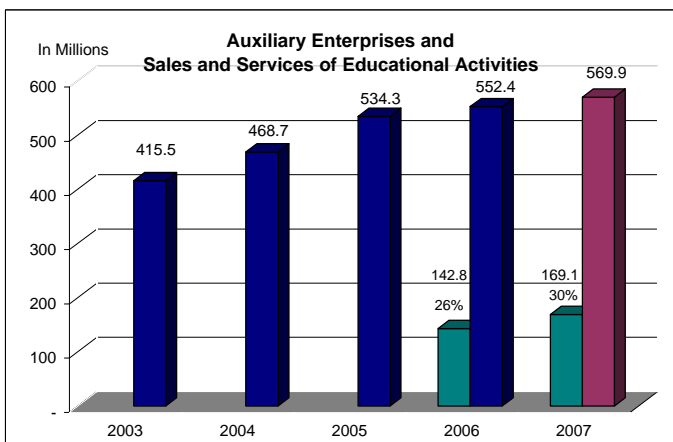
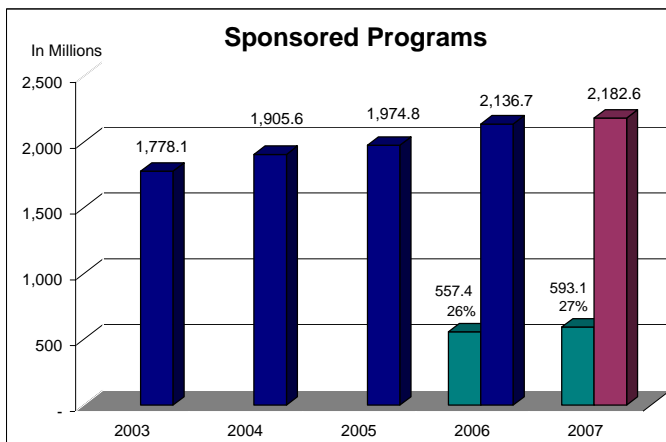
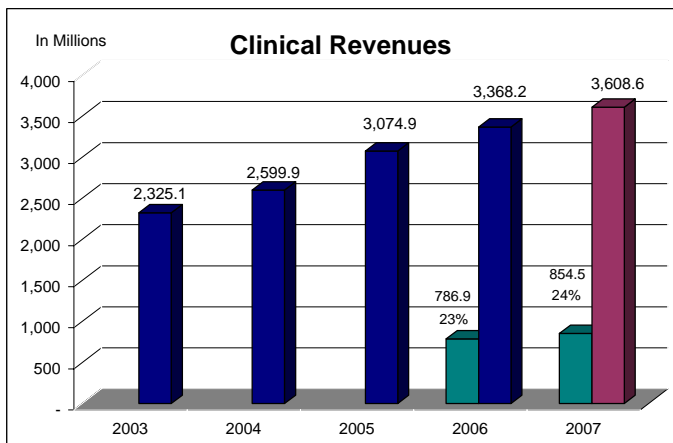
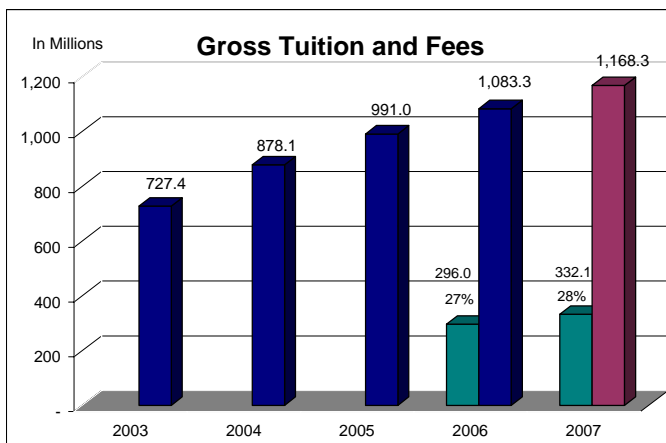
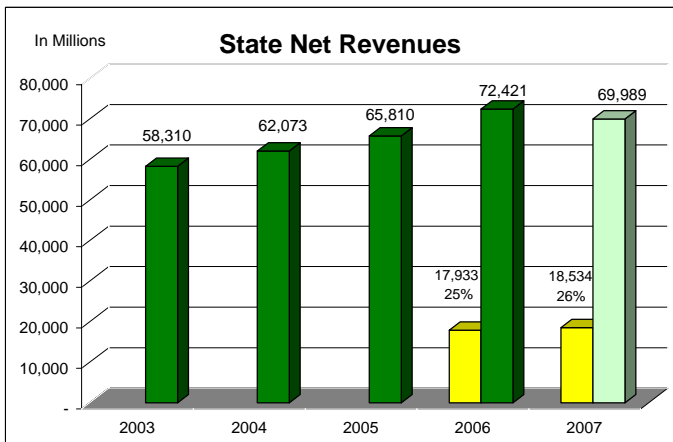
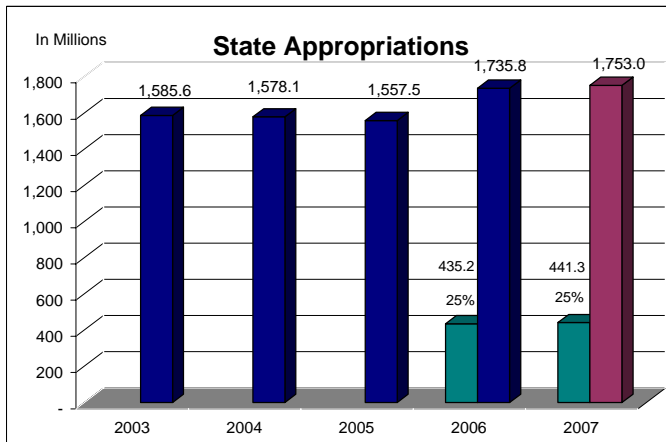
## QUARTERLY KEY FINANCIAL INDICATORS REPORT

1<sup>ST</sup> QUARTER FY 2007

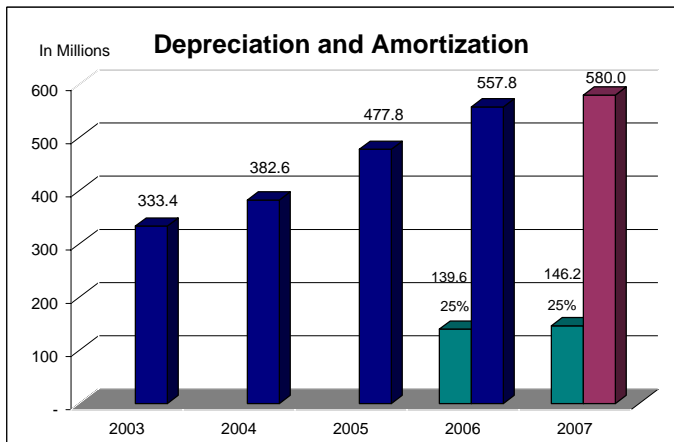
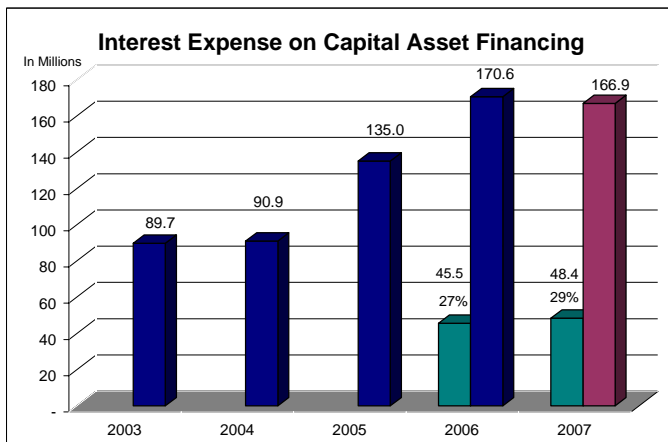
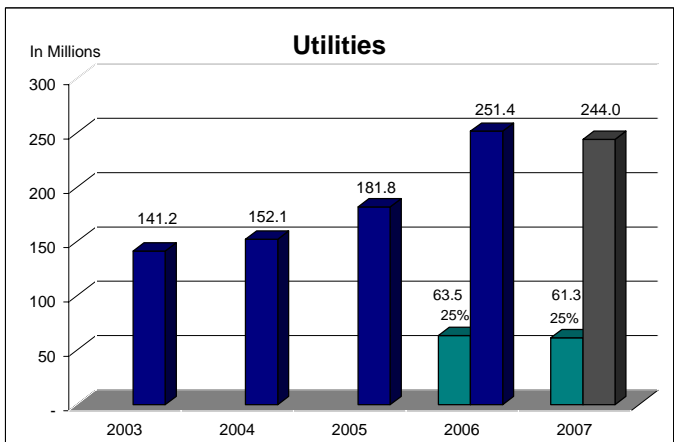
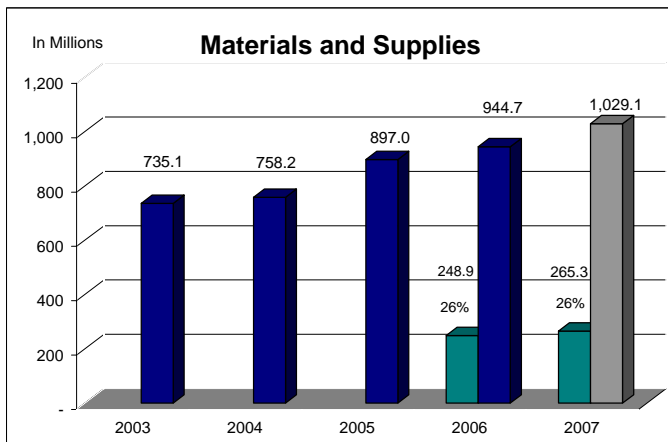
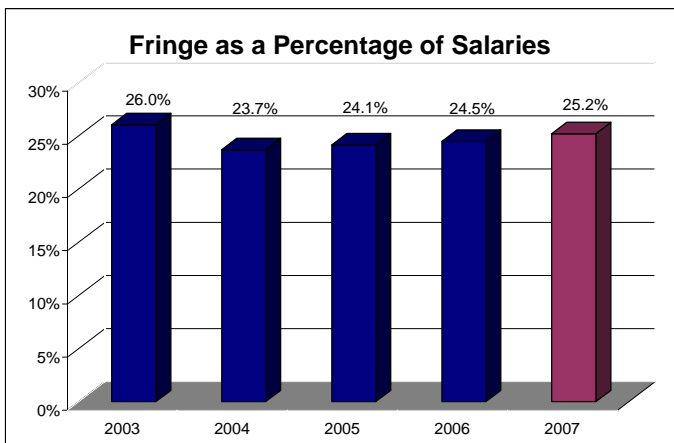
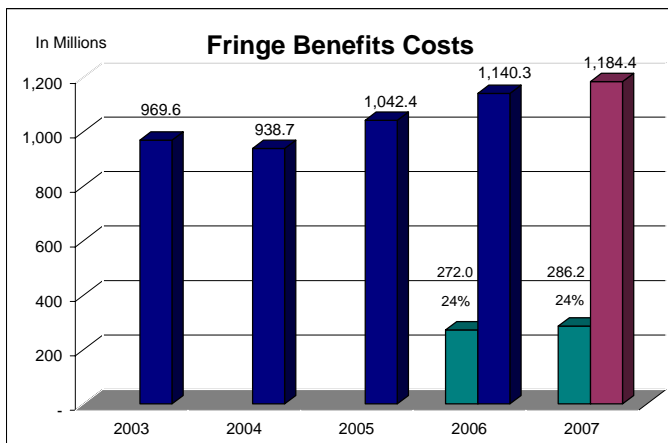
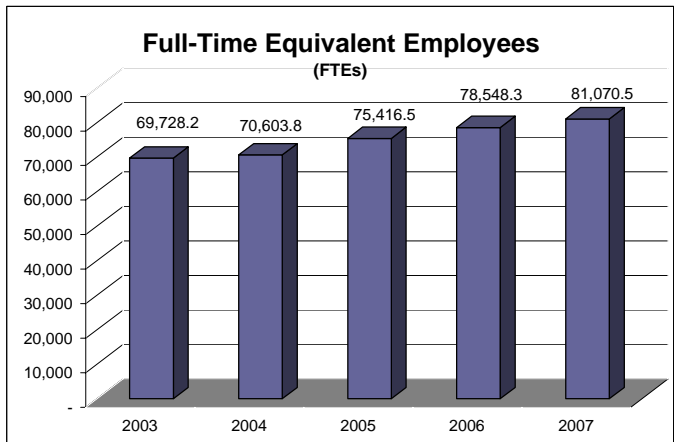
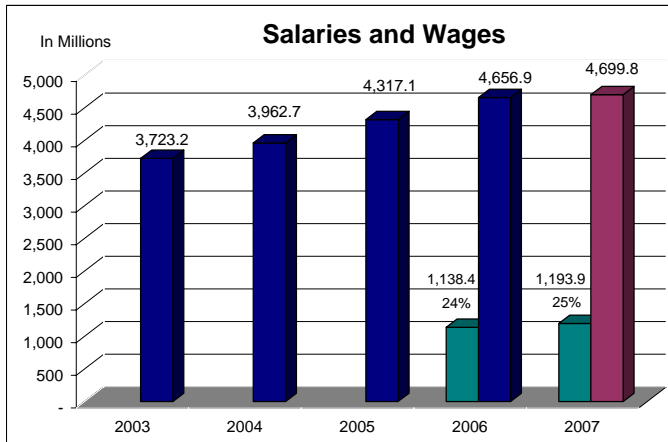
## KEY

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

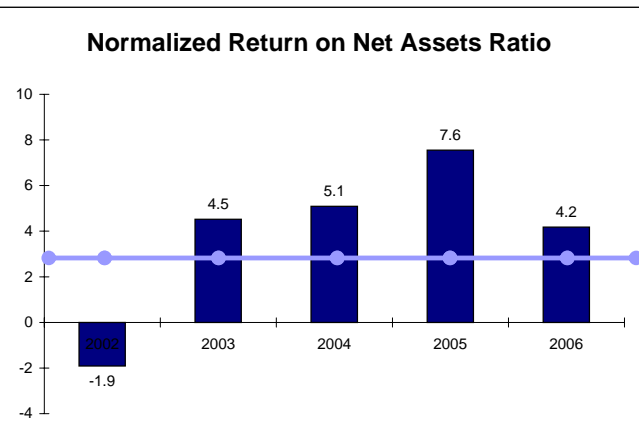
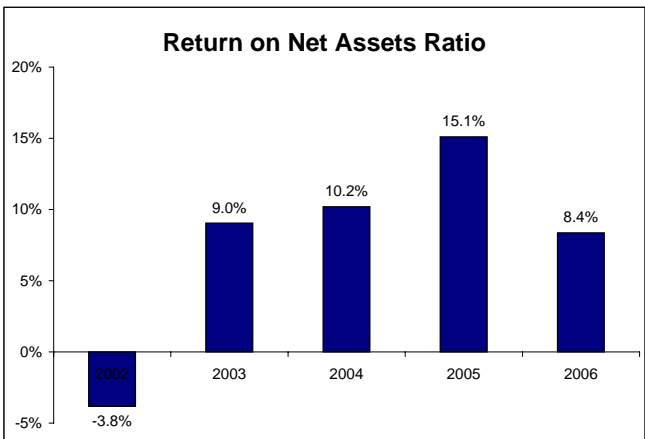
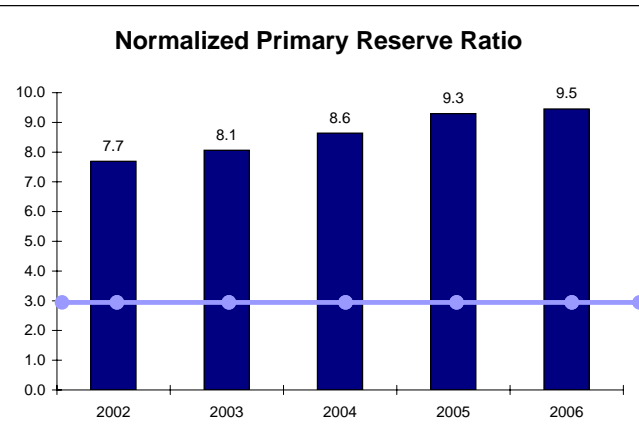
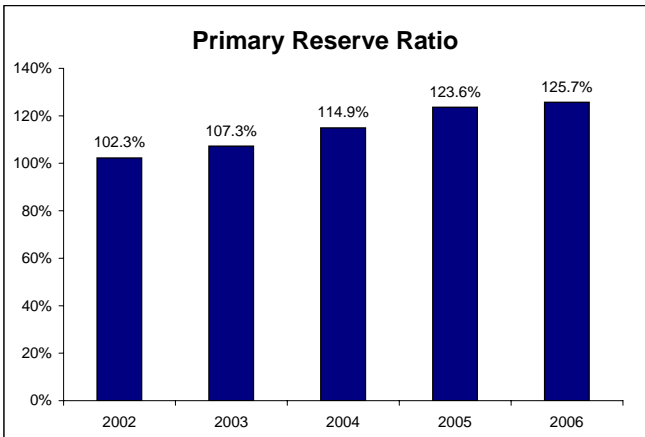
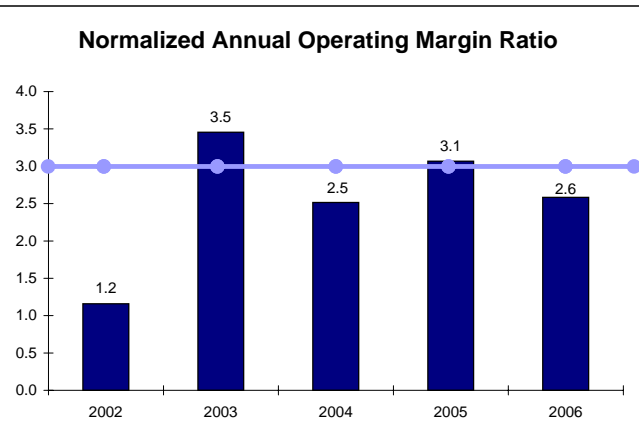
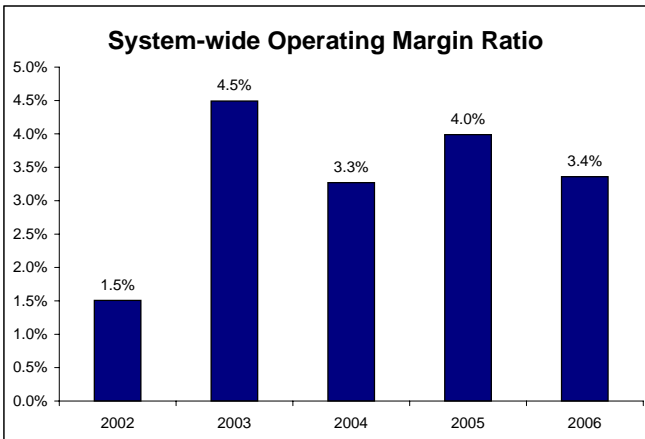
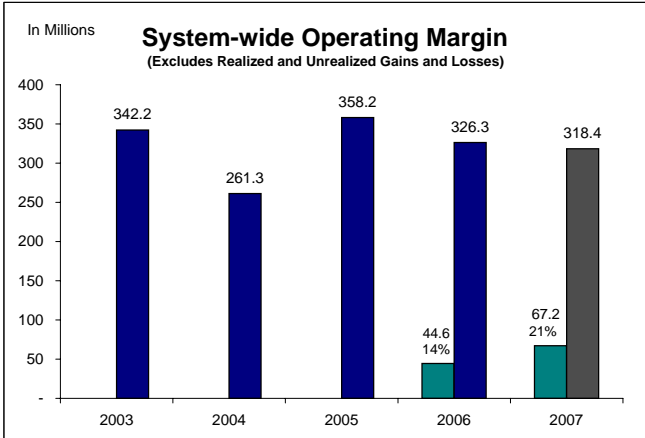
**KEY INDICATORS OF REVENUES**  
**ACTUAL 2003 THROUGH 2006**  
**PROJECTED 2007**  
**YEAR TO DATE 2006 AND 2007 FROM NOVEMBER MONTHLY FINANCIAL REPORT**



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

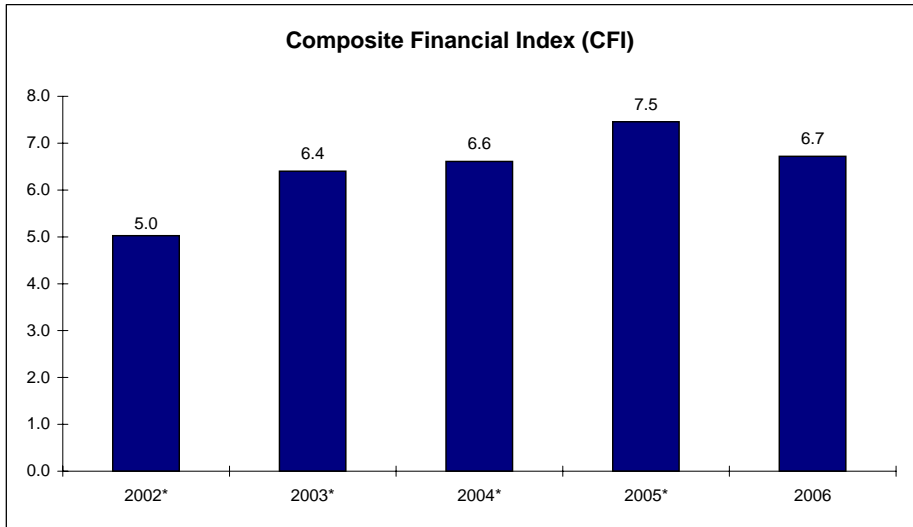


**KEY INDICATORS OF RESERVES**  
**ACTUAL 2002 THROUGH 2006**  
**PROJECTED 2007**  
**YEAR TO DATE 2006 AND 2007 FROM NOVEMBER MONTHLY FINANCIAL REPORT**



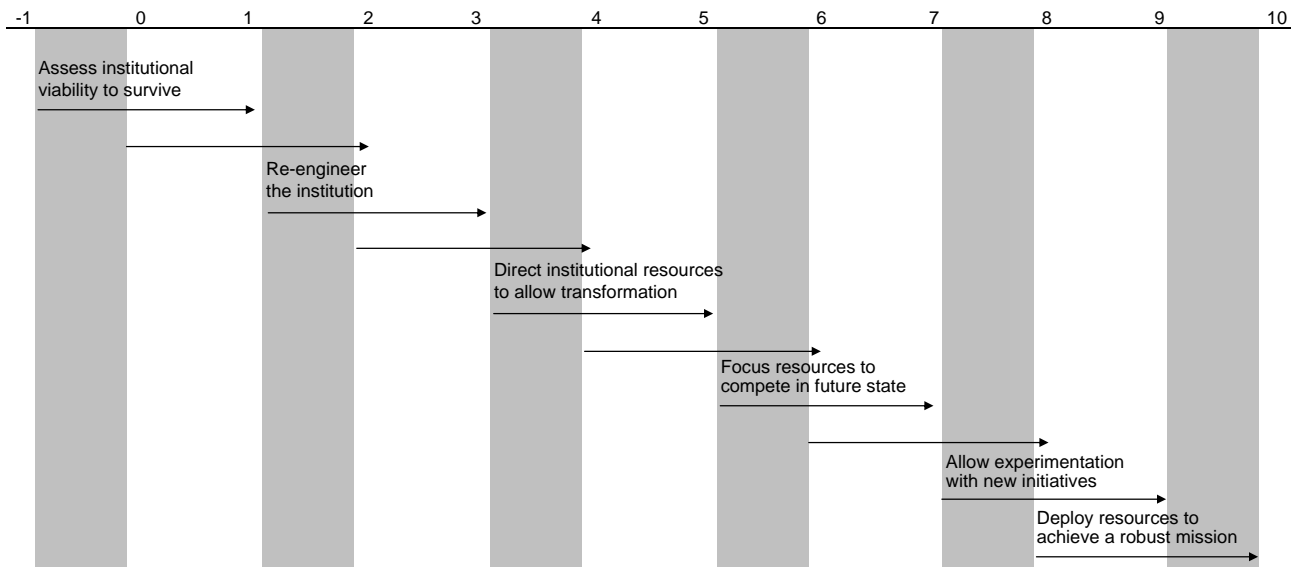


# KEY INDICATORS OF FINANCIAL HEALTH 2002 THROUGH 2006

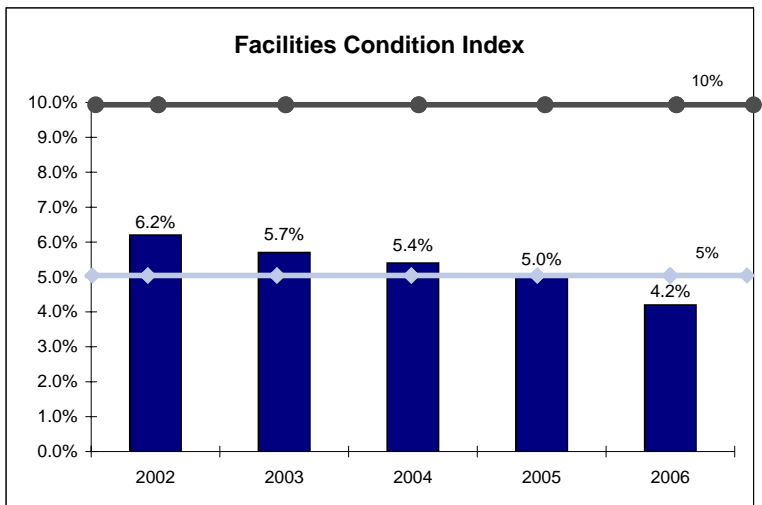
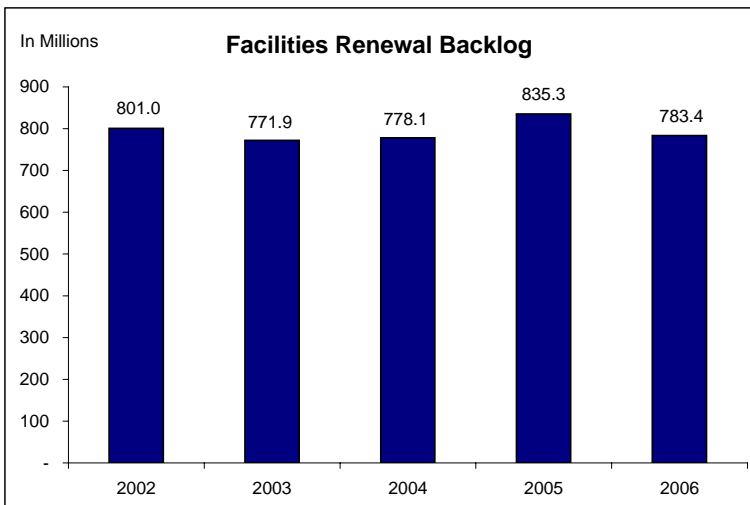
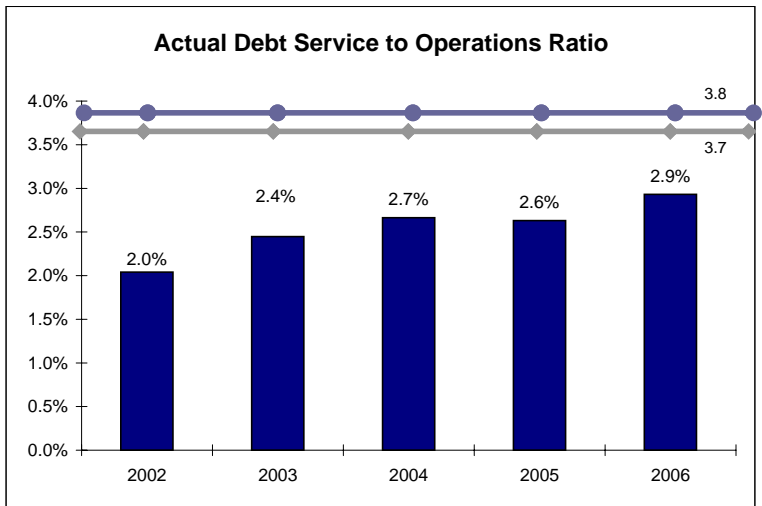
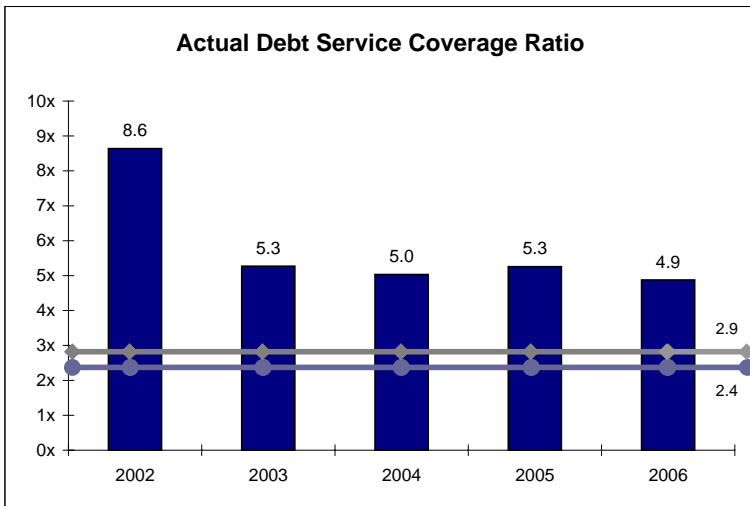
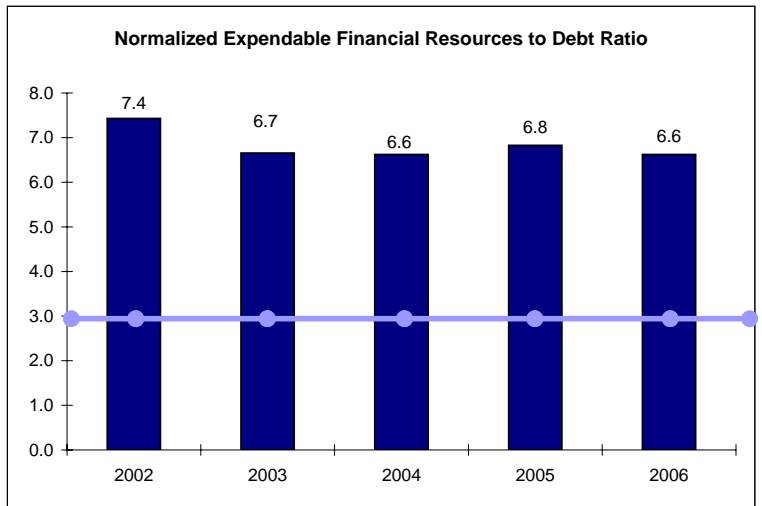
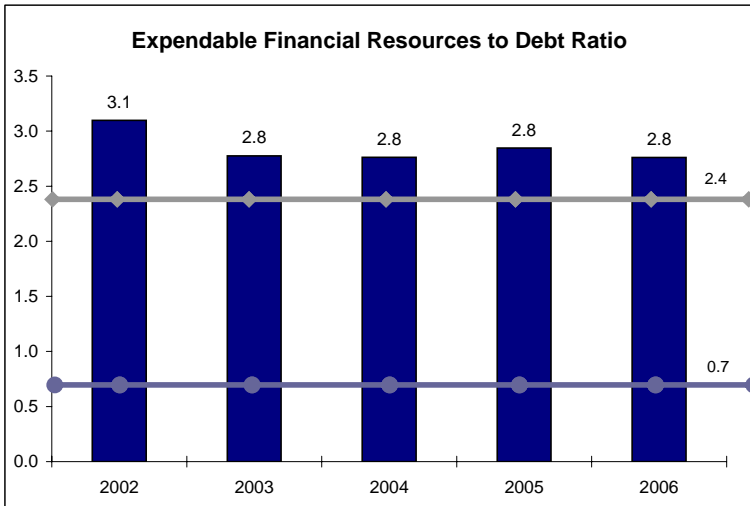


\*Restated to reflect appreciation on endowments as restricted expendable net assets as a result of the 2006 external audit

## Scale for Charting CFI Performance



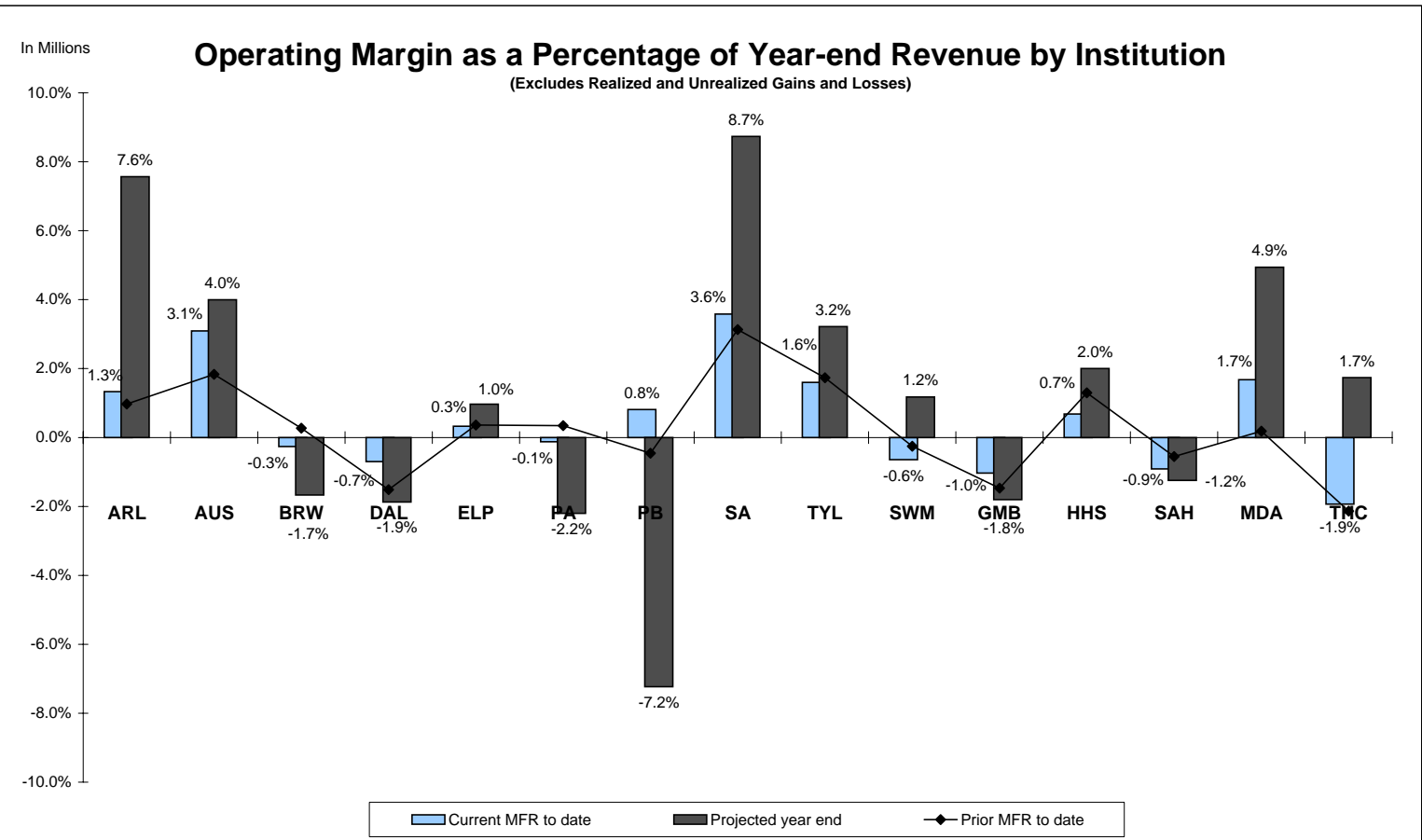
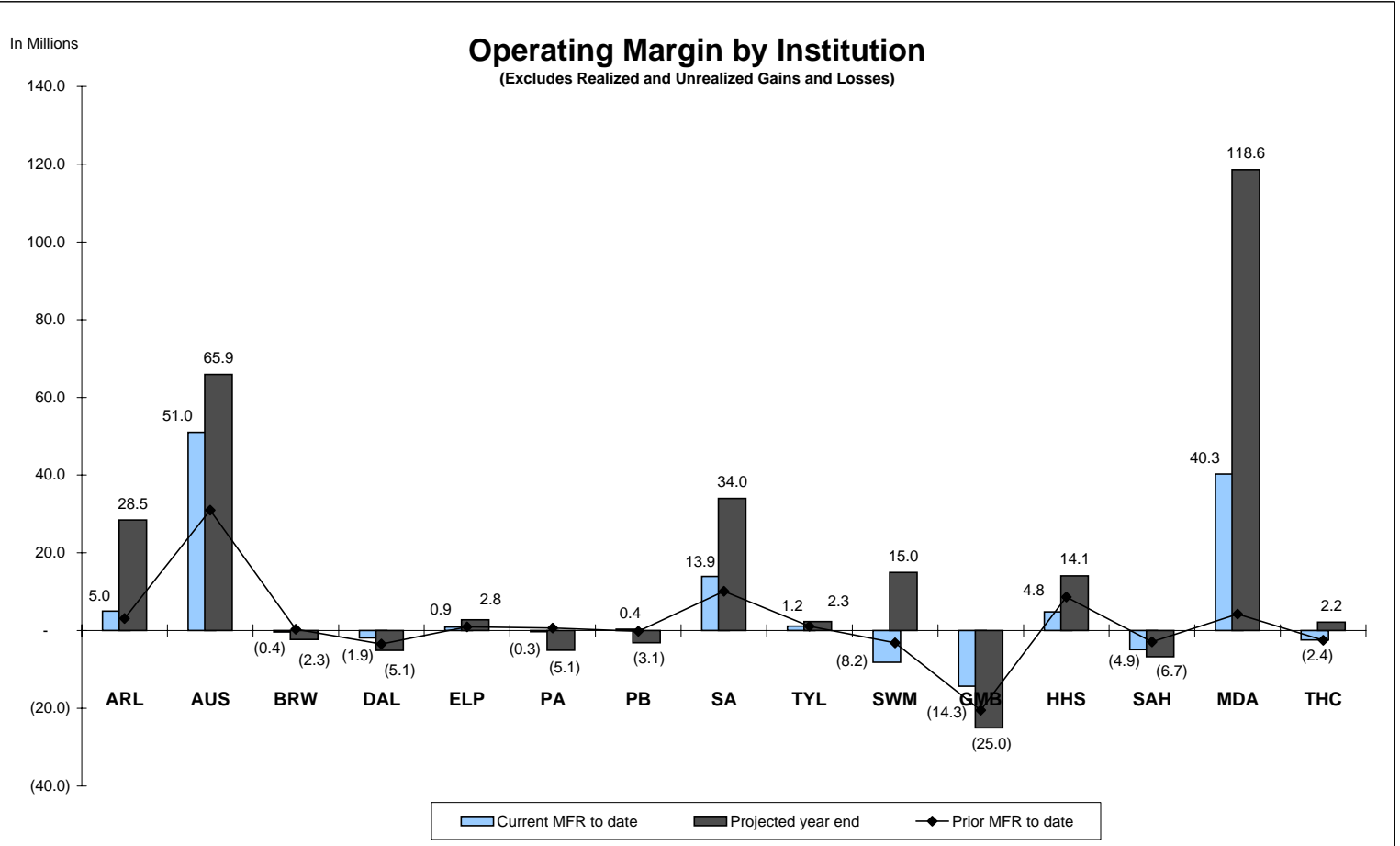
# KEY INDICATORS OF CAPITAL NEEDS AND CAPACITY 2002 THROUGH 2006



# KEY INDICATORS OF RESERVES

## YEAR TO DATE 2006 AND 2007 FROM DECEMBER MONTHLY FINANCIAL REPORT

### PROJECTED 2007 YEAR-END MARGIN



4. **U. T. System Board of Regents: Adoption of Seventeenth Supplemental Resolution authorizing Revenue Financing System Bonds in an amount not to exceed \$500,000,000; authorization to complete all related transactions; and resolution regarding parity debt**

RECOMMENDATION

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

- a. adopt the Seventeenth Supplemental Resolution to the Master Resolution, substantially in the standard form approved by the Board of Regents on November 13, 2003, authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System Revenue Financing System Bonds in one or more installments in an aggregate principal amount not to exceed \$500,000,000 with a final maturity not to exceed the Year 2040 for the purpose of refunding a portion of the outstanding Revenue Financing System Commercial Paper Notes, Series A; to provide new money to fund construction and acquisition costs of projects in the Capital Improvement Program (CIP); to current or advance refund certain outstanding Revenue Financing System Bonds to produce present value debt service savings; and to pay the costs of issuance and any original issue discount;
- b. authorize issuance of the Bonds and the execution of corresponding interest rate swap transactions consistent with the U. T. System Interest Rate Swap Policy; and
- c. authorize appropriate officers and employees of the U. T. System as set forth in the Seventeenth Supplemental Resolution to take any and all actions necessary to carry out the intentions of the U. T. System Board of Regents, within the limitations and procedures specified therein, make certain covenants and agreements in connection therewith; and resolve other matters incident and related to the issuance, sale, security, and delivery of such Bonds.

The Chancellor also concurs with the recommendation of the Executive Vice Chancellor for Business Affairs that, in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System adopted by the U. T. System Board of Regents on February 14, 1991, amended on October 8, 1993, and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as required by Section 5 of the Master Resolution, the U. T. System Board of Regents resolve that

- a. sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the

Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the Board relating to the Financing System; and

- b. the institutions, which are "Members" as such term is used in the Master Resolution, possess the financial capacity to satisfy their direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt.

### BACKGROUND INFORMATION

On February 14, 1991, the U. T. System Board of Regents adopted a Master Resolution establishing the Revenue Financing System (RFS) to create a cost-effective, System-wide financing structure for institutions of the U. T. System. Since that time, the Board has adopted 16 supplemental resolutions to provide debt financing for projects that have received the requisite U. T. System Board of Regents and Texas Higher Education Coordinating Board approvals.

The Sixteenth Supplemental Resolution was adopted by the Board on August 10, 2006, and amended on November 16, 2006, authorizing up to \$900 million of bonds to be issued during FY 2007. This authority was exhausted through the issuance of \$896.5 million RFS Bonds, Series 2006C,D,E&F on January 4, 2007, which produced debt service savings of \$20.3 million for the U. T. System. Additional authority is now being requested through the Seventeenth Supplemental Resolution for the remainder of FY 2007.

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

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

The Resolution provides authority to execute interest rate swap agreements. The determination to utilize an interest rate swap agreement will be made based on market conditions at the time of pricing and will be in accordance with the U. T. System Interest Rate Swap Policy approved by the Board on February 13, 2003, using standard International Swaps and Derivatives Association, Inc. (ISDA) documentation. The Chairman of the Board of Regents and the Chairman of the Board's Finance and Planning Committee will be informed of any proposed transactions to be undertaken pursuant to the Resolution.

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

The proposed Seventeenth Supplemental Resolution has been reviewed by outside bond counsel and the U. T. System Office of General Counsel.

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

5. **U. T. System: Approval of additional aggregate amount of \$18,160,000 of Revenue Financing System Equipment Financing for Fiscal Year 2007 and resolution regarding parity debt**

**RECOMMENDATION**

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

- a. approve an additional aggregate amount of \$18,160,000 of Revenue Financing System Equipment Financing for Fiscal Year 2007 as allocated to those U. T. System institutions set out on Page 130; and
- b. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
  - parity debt shall be issued to pay the cost of equipment including costs incurred prior to the issuance of such parity debt;

- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System;
- the institutions and U. T. System Administration, which are "Members" as such term is used in the Master Resolution, possess the financial capacity to satisfy their direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$18,160,000 for the purchase of equipment; and
- this resolution satisfies the official intent requirements set forth in Section 1.150-2 of the *Code of Federal Regulations* that evidences the Board's intention to reimburse project expenditures with bond proceeds.

#### BACKGROUND INFORMATION

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

On August 10, 2006, the U. T. System Board of Regents approved \$108,000,000 for equipment financing in Fiscal Year 2007. This Agenda Item requests approval of an additional aggregate amount of \$18,160,000 for equipment financing.

Further details on the equipment to be financed and debt coverage ratios for individual institutions may be found on Page 130.

APPROVAL OF U. T. SYSTEM EQUIPMENT FINANCING  
FY 2007 (February)

Institution	\$ Amount of Request	Description of Equipment Purchases	DSC*
U. T. Brownsville	\$710,000	Surveillance equipment, police equipment, plant equipment, telephone system upgrade, vehicle purchase	0.5x
U. T. El Paso	150,000	Technology infrastructure, vehicle replacement	2.3x
U. T. Pan American	3,050,000	Technology infrastructure, vehicle replacement	1.4x
U. T. San Antonio	250,000	Scientific & lab equipment, recreation equipment, vehicle purchase, surveillance equipment	3.1x
U. T. Health Science Center - Houston	1,600,000	Technology infrastructure	3.6x
U. T. Medical Branch - Galveston	10,000,000	Clinical and information technology equipment	1.9x
U. T. Health Center - Tyler	2,400,000	Clinical and laboratory equipment	3.2x

<b>Total</b>	<b>\$18,160,000</b>
--------------	---------------------

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



6. **U. T. System Board of Regents: Investment Reports for the fiscal quarter ended November 30, 2006, and The University of Texas Investment Management Company (UTIMCO) Performance Summary Report**

REPORT

The Investment Reports for the fiscal quarter ended November 30, 2006, are set forth on Pages 132 - 136.

Item I on Page 132 reports activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the quarter was 4.42% versus its composite benchmark return of 5.24%. The PUF's net asset value increased by \$446.8 million since the beginning of the quarter to \$10,760.2 million. This change in net asset value includes increases due to contributions from PUF land receipts and net investment return, and the first payment of the annual distribution to the Available University Fund (AUF) for \$100.2 million.

Item II on Page 133 reports activity for the General Endowment Fund (GEF) investments. The GEF's net investment return for the quarter was 4.54% versus its composite benchmark return of 5.24%. The GEF's net asset value increased during the quarter to \$5,819.9 million.

Item III on Page 134 reports activity for the Intermediate Term Fund (ITF). The ITF's net investment return for the quarter was 4.53% versus its composite benchmark return of 4.92%. The net asset value has increased to \$3,234.7 million due to net contributions and net investment return, net of distributions of \$23.7 million.

Item IV on Page 135 presents book and market value of cash, debt, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of institutional operating funds held in the Dreyfus money market fund, decreased by \$217.0 million to \$1,291.9 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: \$39.5 million versus \$43.5 million at the beginning of the period; equities: \$79.7 million versus \$73.7 million at the beginning of the period; and other investments: \$.1 million versus \$2.2 million at the beginning of the period.

The November 30, 2006, UTIMCO Performance Summary Report is attached on Page 136.

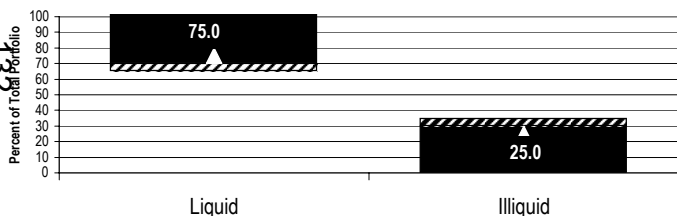
## I. PERMANENT UNIVERSITY FUND Investment Reports for Periods Ended November 30, 2006

Prepared in accordance with Texas Education Code Sec. 51.0032

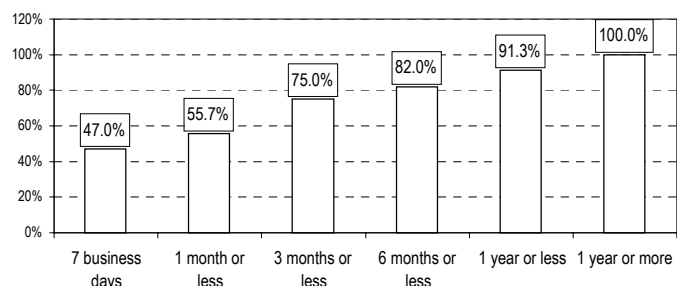
### Summary of Capital Flows

(\$ millions)	Fiscal Year Ended	Quarter Ended	Fiscal Year Ended
	August 31, 2006	November 30, 2006	August 31, 2007
Beginning Net Assets	\$ 9,426.7	\$ 10,313.4	\$ 10,313.4
PUF Lands Receipts	214.9	89.2	89.2
Investment Return	1,111.7	473.5	473.5
Expenses	(82.6)	(15.7)	(15.7)
Distributions to AUF	(357.3)	(100.2)	(100.2)
Ending Net Assets	\$ 10,313.4	\$ 10,760.2	\$ 10,760.2

### PUF Liquidity Policy Profile As of November 30, 2006

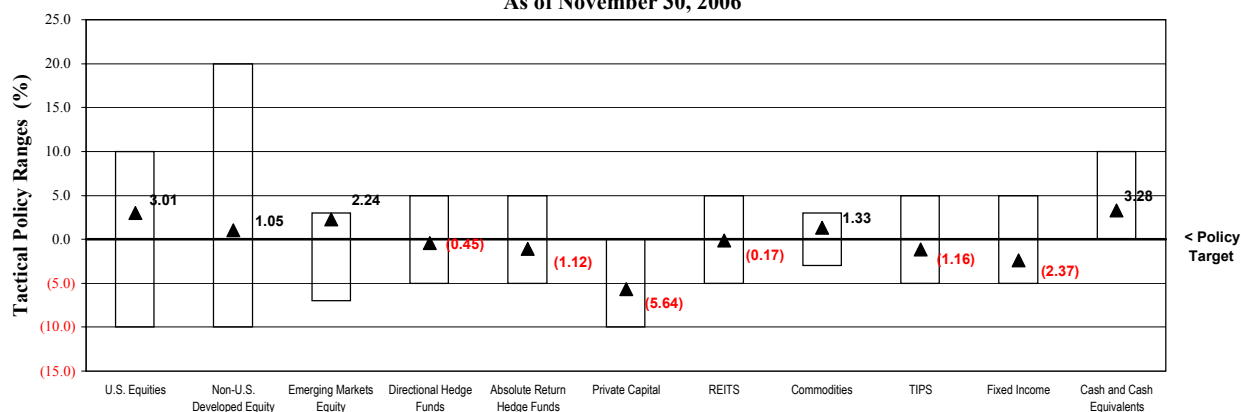


### PUF Detailed Liquidity Profile as of November 30, 2006



	November 30, 2006		Three Months to Date				
	Portfolio Exposure	Policy Target	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
Cash and Cash Equivalents	3.28%	0.00%	1.32%	1.27%	-0.15%	0.00%	-0.15%
U.S. Equities	23.01%	20.00%	5.04%	8.22%	-0.04%	-0.63%	-0.67%
Non-U.S. Developed Equity	11.05%	10.00%	4.45%	7.16%	-0.01%	-0.27%	-0.28%
Emerging Markets Equity	9.24%	7.00%	12.20%	13.47%	0.12%	-0.09%	0.03%
Directional Hedge Funds	9.55%	10.00%	4.45%	2.95%	0.00%	0.15%	0.15%
Absolute Return Hedge Funds	13.88%	15.00%	3.82%	2.95%	0.02%	0.13%	0.15%
REITS	4.83%	5.00%	13.79%	13.62%	-0.02%	0.00%	-0.02%
Commodities	4.33%	3.00%	-8.28%	-4.35%	-0.24%	-0.12%	-0.36%
TIPS	3.84%	5.00%	1.42%	1.23%	0.04%	0.01%	0.05%
Fixed Income	7.63%	10.00%	2.97%	2.72%	0.05%	0.02%	0.07%
<b>Total Marketable Securities</b>	<b>90.64%</b>	<b>85.00%</b>	<b>4.59%</b>	<b>5.76%</b>	<b>-0.23%</b>	<b>-0.80%</b>	<b>-1.03%</b>
Private Capital	9.36%	15.00%	2.81%	2.30%	0.13%	0.08%	0.21%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>4.42%</b>	<b>5.24%</b>	<b>-0.10%</b>	<b>-0.72%</b>	<b>-0.82%</b>

### Deviations From Policy Targets Within Tactical Policy Ranges As of November 30, 2006



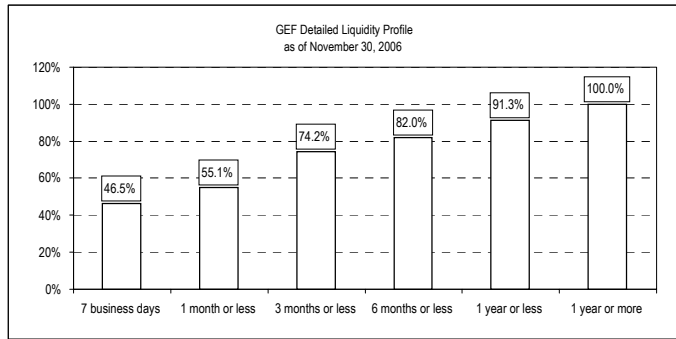
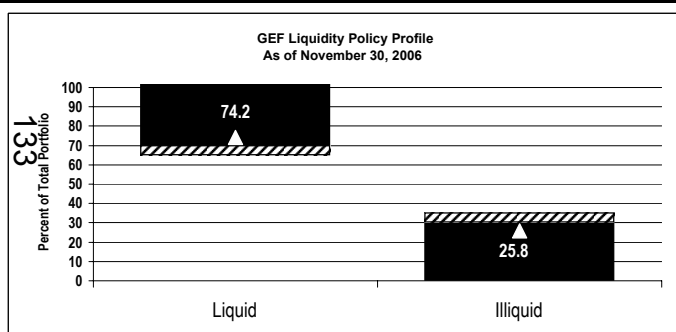
## II. GENERAL ENDOWMENT FUND

### Investment Reports for Periods Ended November 30, 2006

Prepared in accordance with Texas Education Code Sec. 51.0032

#### Summary of Capital Flows

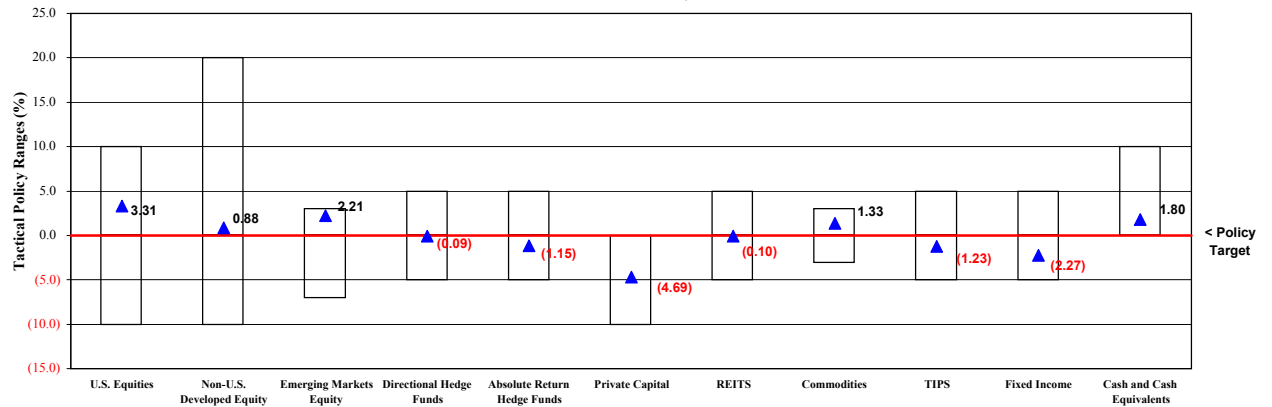
(\$ millions)	Quarter Ended		
	Fiscal Year Ended August 31, 2006	November 30, 2006	Fiscal Year Ended August 31, 2007
Beginning Net Assets	\$ 4,926.8	\$ 5,427.8	\$ 5,427.8
Contributions	273.9	193.1	193.1
Withdrawals	(108.0)	(0.3)	(0.3)
Distributions	(220.0)	(59.1)	(59.1)
Investment Return	593.3	264.8	264.8
Expenses	(38.2)	(6.4)	(6.4)
Ending Net Assets	\$ 5,427.8	\$ 5,819.9	\$ 5,819.9



	November 30, 2006		Three Months to Date				
	Portfolio Exposure	Policy Target	Returns		Value Added		Total
			Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	
Cash and Cash Equivalents	1.80%	0.00%	1.32%	1.27%	-0.13%	0.00%	-0.13%
U.S. Equities	23.31%	20.00%	5.14%	8.22%	-0.02%	-0.61%	-0.63%
Non-U.S. Developed Equity	10.88%	10.00%	4.52%	7.16%	-0.02%	-0.26%	-0.28%
Emerging Markets Equity	9.21%	7.00%	12.27%	13.47%	0.12%	-0.08%	0.04%
Directional Hedge Funds	9.91%	10.00%	4.46%	2.95%	0.00%	0.15%	0.15%
Absolute Return Hedge Funds	13.85%	15.00%	3.82%	2.95%	0.01%	0.13%	0.14%
REITS	4.90%	5.00%	13.85%	13.62%	-0.03%	0.01%	-0.02%
Commodities	4.33%	3.00%	-8.20%	-4.35%	-0.22%	-0.12%	-0.34%
TIPS	3.77%	5.00%	1.40%	1.23%	0.04%	0.01%	0.05%
Fixed Income	7.73%	10.00%	2.99%	2.72%	0.05%	0.03%	0.08%
<b>Total Marketable Securities</b>	<b>89.69%</b>	<b>85.00%</b>	<b>4.69%</b>	<b>5.76%</b>	<b>-0.20%</b>	<b>-0.74%</b>	<b>-0.94%</b>
Private Capital	10.31%	15.00%	3.30%	2.30%	0.09%	0.15%	0.24%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>4.54%</b>	<b>5.24%</b>	<b>-0.11%</b>	<b>-0.59%</b>	<b>-0.70%</b>

#### Deviations From Policy Targets Within Tactical Policy Ranges

As of November 30, 2006



### III. INTERMEDIATE TERM FUND Investment Reports for Periods Ended November 30, 2006

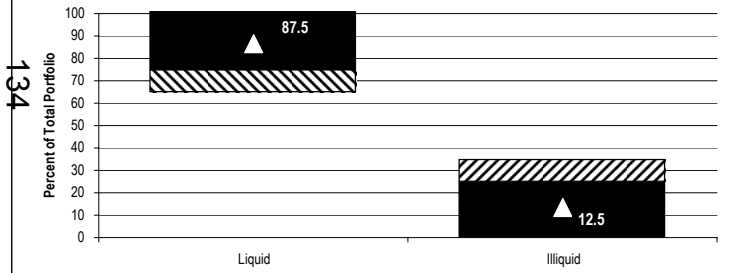
Prepared in accordance with *Texas Education Code Sec. 51.0032*

#### Summary of Capital Flows

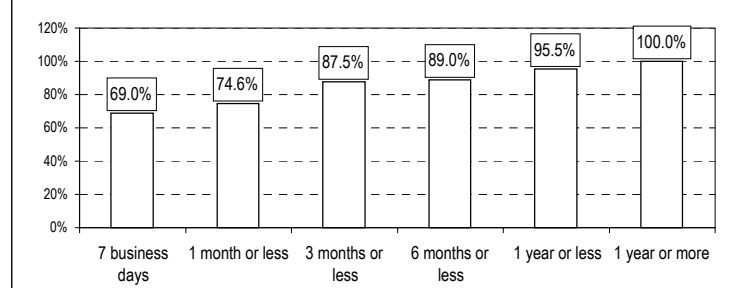
(\$ millions)	Fiscal Year Ended	Quarter Ended	Fiscal Year Ended
	August 31, 2006	November 30, 2006	August 31, 2007
Beginning Net Assets	\$ -	\$ 3,048.8	\$ 3,048.8
Contributions	3,112.3	117.0	117.0
Withdrawals	(111.2)	(48.9)	(48.9)
Distributions	(52.7)	(23.7)	(23.7)
Investment Return	115.4	149.4	149.4
Expenses	(15.0)	(7.9)	(7.9)
Ending Net Assets	\$ 3,048.8	\$ 3,234.7	\$ 3,234.7

	November 30, 2006		Three Months to Date				
	Portfolio Exposure	Policy Target	Returns	Value Added	Total		
			Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	
Cash and Cash Equivalents	0.62%	0.00%	1.32%	1.27%	-0.04%	0.00%	-0.04%
U.S. Equities	15.39%	15.00%	6.48%	8.22%	0.00%	-0.26%	-0.26%
Non-U.S. Developed Equity	4.96%	5.00%	5.24%	7.16%	0.00%	-0.09%	-0.09%
Emerging Markets Equity	4.85%	5.00%	12.72%	13.47%	-0.02%	-0.04%	-0.06%
Directional Hedge Funds	10.72%	12.50%	4.46%	2.95%	0.01%	0.19%	0.20%
Absolute Return Hedge Funds	13.85%	12.50%	3.61%	2.95%	-0.02%	0.08%	0.06%
REITS	10.11%	10.00%	12.14%	13.62%	0.02%	-0.14%	-0.12%
Commodities	4.70%	5.00%	-7.71%	-4.35%	0.00%	-0.17%	-0.17%
TIPS	9.86%	10.00%	1.51%	1.23%	0.00%	0.03%	0.03%
Fixed Income	24.94%	25.00%	3.04%	2.72%	-0.02%	0.08%	0.06%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>4.53%</b>	<b>4.92%</b>	<b>-0.07%</b>	<b>-0.32%</b>	<b>-0.39%</b>

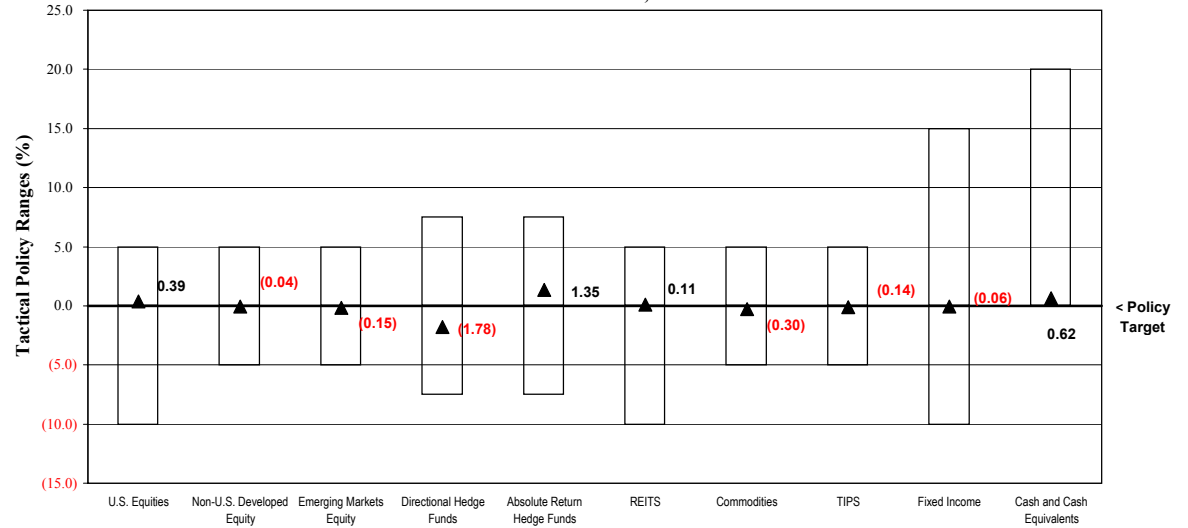
ITF Liquidity Policy Profile  
As of November 30, 2006



ITF Detailed Liquidity Profile  
as of November 30, 2006



Deviations From Policy Targets Within Tactical Policy Ranges  
As of November 30, 2006



**IV. SEPARATELY INVESTED ASSETS**  
**Summary Investment Report at November 30, 2006**  
 Report prepared in accordance with *Texas Education Code Sec. 51.0032*

	(\$ thousands)															
	FUND TYPE															
	CURRENT PURPOSE				ENDOWMENT &		ANNUITY & LIFE		AGENCY FUNDS		TOTAL EXCLUDING		OPERATING FUNDS		TOTAL	
	DESIGNATED		RESTRICTED		SIMILAR FUNDS		INCOME FUNDS		OPERATING FUNDS		(SHORT TERM FUND)		TOTAL			
<b>ASSET TYPES</b>	<u>BOOK</u>	<u>MARKET</u>	<u>BOOK</u>	<u>MARKET</u>	<u>BOOK</u>	<u>MARKET</u>	<u>BOOK</u>	<u>MARKET</u>	<u>BOOK</u>	<u>MARKET</u>	<u>BOOK</u>	<u>MARKET</u>	<u>BOOK</u>	<u>MARKET</u>	<u>BOOK</u>	<u>MARKET</u>
<b>Cash &amp; Equivalents:</b>																
Beginning value 08/31/06	1,633	1,633	2,349	2,349	117,665	117,665	6,919	6,919	98,160	98,160	226,726	226,726	1,282,262	1,282,262	1,508,988	1,508,988
Increase/(Decrease)	50	50	19,394	19,394	(85,991)	(85,991)	535	535	(95,515)	(95,515)	(161,527)	(161,527)	(55,512)	(55,512)	(217,039)	(217,039)
Ending value 11/30/06	1,683	1,683	21,743	21,743	31,674	31,674	7,454	7,454	2,645	2,645	65,199	65,199	1,226,750	1,226,750	1,291,949	1,291,949
<b>Debt Securities:</b>																
Beginning value 08/31/06	-	-	263	215	29,866	29,304	13,946	13,962	-	-	44,075	43,481	-	-	44,075	43,481
Increase/(Decrease)	-	-	-	5	(4,585)	(4,172)	(3)	181	-	-	(4,588)	(3,986)	-	-	(4,588)	(3,986)
Ending value 11/30/06	-	-	263	220	25,281	25,132	13,943	14,143	-	-	39,487	39,495	-	-	39,487	39,495
<b>Equity Securities:</b>																
Beginning value 08/31/06	27	5,057	1,892	1,616	36,078	43,422	18,736	23,612	-	-	56,733	73,707	-	-	56,733	73,707
Increase/(Decrease)	-	3,435	103	184	489	1,638	(679)	780	-	-	(87)	6,037	-	-	(87)	6,037
Ending value 11/30/06	27	8,492	1,995	1,800	36,567	45,060	18,057	24,392	-	-	56,646	79,744	-	-	56,646	79,744
<b>Other:</b>																
Beginning value 08/31/06	-	-	2,091	2,091	2	2	255	105	-	-	2,348	2,198	-	-	2,348	2,198
Increase/(Decrease)	-	-	(2,093)	(2,093)	7	7	12	-	-	-	(2,074)	(2,086)	-	-	(2,074)	(2,086)
Ending value 11/30/06	-	-	(2)	(2)	9	9	267	105	-	-	274	112	-	-	274	112
<b>Total Assets:</b>																
Beginning value 08/31/06	1,660	6,690	6,595	6,271	183,611	190,393	39,856	44,598	98,160	98,160	329,882	346,112	1,282,262	1,282,262	1,612,144	1,628,374
Increase/(Decrease)	50	3,485	17,404	17,490	(90,080)	(88,518)	(135)	1,496	(95,515)	(95,515)	(168,276)	(161,562)	(55,512)	(55,512)	(223,788)	(217,074)
Ending value 11/30/06	1,710	10,175	23,999	23,761	93,531	101,875	39,721	46,094	2,645	2,645	161,606	184,550	1,226,750	1,226,750	1,388,356	1,411,300

Details of individual assets by account furnished upon request.

# UTIMCO Performance Summary

November 30, 2006

	Net Asset Value 11/30/2006 (in Millions)	Periods Ended November 30, 2006 (Returns for Periods Longer Than One Year are Annualized)										
		One Month	Fiscal Year To Date	Three Months	Six Months	Calendar Year To Date	One Year	Two Years	Three Years	Four Years	Five Years	Ten Years
<b>ENDOWMENT FUNDS</b>												
Permanent University Fund	\$ 10,760.2	2.49	4.42	4.42	6.89	11.90	13.99	13.40	14.07	15.36	10.88	9.34
General Endowment Fund		2.57	4.54	4.54	7.00	12.11	14.18	13.36	14.02	15.54	11.03	N/A
Permanent Health Fund	1,022.0	2.59	4.57	4.57	7.04	12.15	14.18	13.30	13.95	15.43	10.93	N/A
Long Term Fund	4,798.0	2.59	4.57	4.57	7.04	12.16	14.18	13.31	13.95	15.46	10.96	9.98
Separately Invested Funds	184.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total Endowment Funds</b>	<b>16,764.7</b>											
<b>OPERATING FUNDS</b>												
Short Term Fund	1,226.7	0.43	1.32	1.32	2.66	4.61	4.98	3.99	3.06	2.58	2.45	3.98
Intermediate Term Fund	3,234.7	2.42	4.53	4.53	7.49	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total Operating Funds</b>	<b>4,461.4</b>											
<b>Total Investments</b>	<b>\$ 21,226.1</b>											
<b>BENCHMARKS (1)</b>												
Permanent University Fund: Policy Portfolio		2.27	5.24	5.24	8.14	13.73	15.66	13.60	13.70	13.08	8.99	9.96
General Endowment Fund: Policy Portfolio		2.27	5.24	5.24	8.14	13.73	15.66	13.60	13.70	13.08	8.99	9.71
Short Term Fund: 90 Day Treasury Bills Average Yield		0.43	1.27	1.27	2.54	4.39	4.73	3.84	2.95	2.51	2.37	3.80
Intermediate Term Fund: Policy Portfolio		2.34	4.92	4.92	7.99	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>VALUE ADDED (2)</b>												
Permanent University Fund		0.22	(0.82)	(0.82)	(1.25)	(1.83)	(1.68)	(0.20)	0.37	2.29	1.90	(0.62)
General Endowment Fund		0.29	(0.70)	(0.70)	(1.14)	(1.62)	(1.49)	(0.25)	0.32	2.46	2.05	N/A
Permanent Health Fund		0.32	(0.67)	(0.67)	(1.10)	(1.57)	(1.48)	(0.30)	0.24	2.35	1.94	N/A
Long Term Fund		0.32	(0.67)	(0.67)	(1.10)	(1.57)	(1.48)	(0.30)	0.24	2.38	1.98	0.27
Short Term Fund		0.00	0.05	0.05	0.11	0.22	0.25	0.15	0.11	0.08	0.09	0.17
Intermediate Term Fund		0.07	(0.39)	(0.39)	(0.50)	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

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

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

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

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

- B. CONVENE JOINT MEETING WITH AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE
- 7. **U. T. System: Report on the Fiscal Year 2006 Annual Financial Report including the report on the U. T. System Financial Statement Audit performed by Deloitte & Touche LLP**

### REPORT

Mr. Randy Wallace, Associate Vice Chancellor, Controller and Chief Budget Officer, will discuss the Annual Financial Report preparation and compilation process, including certifications and representations made by the institutions. Mr. Wallace's PowerPoint presentation is set forth on Pages 136 - 145 of the Supplemental Materials (Volume 2) of the Agenda Book.

Mr. Rodney Lenfant, Deloitte & Touche LLP, will report on the results of the audit of the U. T. System Financial Statements for Fiscal Year 2006. Mr. Lenfant's PowerPoint presentation is set forth on Pages 146 - 154 of the Supplemental Materials (Volume 2) of the Agenda Book.

Additionally, Mr. Charles Chaffin, Chief Audit Executive and System-wide Compliance Officer, and Ms. Amy Barrett, Assistant Audit Director, will report on the work performed at U. T. Arlington, U. T. Brownsville, U. T. Dallas, U. T. Permian Basin, U. T. San Antonio, U. T. Tyler, and U. T. Health Center - Tyler for Deloitte & Touche LLP, in support of the U. T. System Financial Statement Audit. The PowerPoint presentation is set forth on Pages 155 - 160 of the Supplemental Materials (Volume 2) of the Agenda Book.

The U. T. System Consolidated Financial Statements for the Years Ended August 31, 2006 and 2005 (Restated) and Independent Auditors' Report as set forth on Pages 161 - 243 of the Supplemental Materials (Volume 2) of the Agenda Book includes the Management's Discussion and Analysis that provides an overview of the financial position and activities of the U. T. System for the year ended August 31, 2006. The U. T. System Management Letter including management's response has not been completed, but the Controller's Office plans to have it available for distribution prior to the Board meeting.

### BACKGROUND INFORMATION

The Annual Financial Report is required to be filed with the State Comptroller of Public Accounts annually on November 20 and is prepared in compliance with *Texas Government Code* Section 2101.011 and in accordance with the requirements established by the State Comptroller of Public Accounts.

A Request for Qualifications (RFQ) was distributed by U. T. System staff in June 2004. Two proposals were received. After a review of the proposals and interviews by Audit, Compliance, and Management Review Committee Chairman Estrada, and U. T. System staff, the Board of Regents authorized U. T. System staff to negotiate and enter into an auditing services contract with Deloitte & Touche LLP, on July 16, 2004. The original contract, entered into as of August 30, 2004, was for one year with the option to renew the contract for two additional one-year terms.

On March 28, 2006, the Board of Regents authorized U. T. System staff to negotiate a one-year renewal of the auditing services contract with Deloitte & Touche LLP, to audit the U. T. System Annual Financial Report for the fiscal year ending August 31, 2006, subject to *Texas Government Code* Section 321.020; the General Appropriations Act, 79th Legislature, Article IX, Section 6.34; and approval by the State Auditor for the delegation of authority to U. T. System to contract with a private auditor.





**TABLE OF CONTENTS  
FOR  
AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW  
COMMITTEE**

**Committee Meeting: 2/7/2007**

**Board Meeting: 2/8/2007**  
Austin, Texas

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

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>A. CONVENE JOINT MEETING WITH FINANCE AND PLANNING COMMITTEE</b>	<i>2:00 p.m.</i> <i>Chairman</i> <i>Rowling</i>		
1. <b>U. T. System: Report on the Fiscal Year 2006 Annual Financial Report including the report on the U. T. System Financial Statement Audit performed by Deloitte &amp; Touche LLP</b>	<i>2:00 p.m.</i> <b>Report</b> <i>Mr. Wallace</i> <i>Mr. Lenfant,</i> <i>Deloitte &amp;</i> <i>Touche</i> <i>Mr. Chaffin</i> <i>Ms. Barrett</i>	Not on Agenda	<b>139</b>
<b>B. CONVENE AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE MEETING</b>	<i>2:20 p.m.</i> <i>Regent</i> <i>Rowling</i>		
2. <b>U. T. System: Approval to renew the contract with Ernst &amp; Young, LLP, as the external auditor for the 2007 audit of funds managed by The University of Texas Investment Management Company (UTIMCO) and to negotiate for additional audit services related to UTIMCO</b>	<i>2:20 p.m.</i> <b>Action</b> <i>Mr. Chaffin</i>	<b>Action</b> <i>Regent</i> <i>Estrada</i>	<b>139</b>
3. <b>U. T. System: Report on System-wide Information Security</b>	<i>2:25 p.m.</i> <b>Report</b> <i>Mr. Watkins</i> <i>Mr. Chaffin</i>	Not on Agenda	<b>140</b>
4. <b>U. T. System: Report on System-wide Internal Audit Activity</b>	<i>2:30 p.m.</i> <b>Report</b> <i>Mr. Chaffin</i>	Not on Agenda	<b>140</b>
5. <b>U. T. System: Report on System-wide Institutional Compliance Activities</b>	<i>2:35 p.m.</i> <b>Report</b> <i>Mr. Chaffin</i>	Not on Agenda	<b>145</b>

**Committee  
Meeting**

*2:40 p.m.*

**C. RECESS TO EXECUTIVE SESSION PURSUANT TO TEXAS  
GOVERNMENT CODE, CHAPTER 551**

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

**U. T. System: Discussion with institutional auditors and compliance officers concerning evaluation and duties of individual System and institutional employees involved in internal audit and compliance functions**

2. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers - Section 551.071

**D. ADJOURN**

*3:10 p.m.*

A. CONVENE JOINT MEETING WITH FINANCE AND PLANNING COMMITTEE

1. **U. T. System: Report on the Fiscal Year 2006 Annual Financial Report including the report on the U. T. System Financial Statement Audit performed by Deloitte & Touche LLP**

See Item 7 on Page 137 of the Finance and Planning Committee.

B. CONVENE AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE MEETING

2. **U. T. System: Approval to renew the contract with Ernst & Young, LLP, as the external auditor for the 2007 audit of funds managed by The University of Texas Investment Management Company (UTIMCO) and to negotiate for additional audit services related to UTIMCO**

RECOMMENDATION

Committee Chairman Estrada recommends approval to renew the auditing services contract with Ernst & Young, LLP, to perform audits for the fiscal year ending August 31, 2007, for funds managed by The University of Texas Investment Management Company (UTIMCO) as listed below:

- a. Permanent University Fund (PUF)
- b. The University of Texas System General Endowment Fund (GEF)
- c. Permanent Health Fund (PHF)
- d. The University of Texas System Long Term Fund (LTF)
- e. The University of Texas System Intermediate Term Fund (ITF).

Approval is also requested for U. T. staff to negotiate an amendment to the contract renewal with Ernst & Young, LLP, to provide additional audit services related to UTIMCO, including UTIMCO's voluntary implementation of the Sarbanes-Oxley Act of 2002.

## BACKGROUND INFORMATION

Fiduciary responsibility for the PUF, GEF, PHF, LTF, and ITF rests with the U. T. System Board of Regents. *Texas Education Code* Section 66.08(f) requires that the U. T. System provide for an annual financial audit of the PUF if the PUF is within the scope of funds managed by an external management corporation.

A Request for Qualifications (RFQ) was distributed by U. T. System staff in April 2003. Four proposals were received. After a review of the proposals and firm interviews by Regent Estrada and U. T. System staff, the Board of Regents authorized U. T. System staff to negotiate and enter into an auditing services contract with Ernst & Young, LLP, at the July 7, 2003 Board of Regents' meeting. The contract was for one year with a right to renew in one-year increments for four years. The contract was renewed by the Board of Regents on February 4, 2004, February 10, 2005, and February 9, 2006. The fiscal year ending August 31, 2007, is the fourth and final year this contract can be up for renewal.

### **3. U. T. System: Report on System-wide Information Security**

#### REPORT

Mr. Lewis Watkins, Chief Information Security Officer, and Mr. Charles Chaffin, Chief Audit Executive and System-wide Compliance Officer, will provide an update on the implementation of the 2006 Action Plan to Enhance Information Security. Included in the update will be reports on the staffing of the information security function with the appointment of a Chief Information Security Officer (CISO) and hiring of an Information Security Policy and Resourcing Analyst. Reports on the establishment of the Information Security Officer Council, meetings between the CISO and various stakeholder groups, and data collection for the purpose of creating an initial high level assessment of information security across the U. T. System will be included.

### **4. U. T. System: Report on System-wide Internal Audit Activity**

#### REPORT

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

The first quarter activity report on the Status of Outstanding Significant Recommendations is set forth on Pages 142 - 143. The report shows that satisfactory progress is being made on the implementation of all significant recommendations. Additionally, a list of other audit reports that have been issued by the System-wide audit program follows on Page 144.

### BACKGROUND INFORMATION

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

THE UNIVERSITY OF TEXAS SYSTEM  
Status of Outstanding Significant Recommendations

Report Date	Institution	Audit	4th Quarter 2006		1st Quarter 2007		Targeted Implementation Date	Overall Progress Towards Completion (Note)	Ranking Significance
			Ranking	# of Significant Findings	Ranking	# of Significant Findings			Material to Institution's Fin. Stmt's. ("F"), Compliance ("C"), and/or Operations ("O")
2006-06	UTARL	Mav Express Cash Handling Audit		1		1	1/31/2007	Satisfactory	O
2004-03	UTAUS	Information Security Management		1		1	12/31/2006	Satisfactory	C, O
2006-02	UTAUS	UT Elementary (by West, Davis & Company )		1		1	12/31/2006	Satisfactory	C
2004-03	UTB	Contracts and Grants		1		1	1/31/2007	Satisfactory	C, O
2004-06	UTB	2003 Financial and Applications Controls Audit of the Financial Aid Office		1		1	2/28/2007	Satisfactory	C, O
2004-10	UTB	Physical Plant		3		3	1/31/2007	Satisfactory	C, O
2006-03	UTB	Change in Management Audit of Athletics		1		0	12/1/2006	Completed	C, O
2003-12	UTD	Lab and Biological Safety		1		1	3/31/2007	Satisfactory	C, O
2005-05	UTEP	Office of the Registrar		1		1	2/28/2007	Satisfactory	C, O
2005-08	UTEP	Texas Success Initiative		1		1	3/31/2007	Satisfactory	C, O
2006-08	UTEP	Change in Management: College of Science				0	9/30/2006	Completed	C, O
2006-10	UTEP	Change in Management: Alumni Relations and Association				0	10/31/2006	Completed	C, O
2006-04	UTPA	Gear Up		1		1	12/31/2006	Satisfactory	C
2004-09	UTSA	Research Compliance - Time and Effort Reporting		1		1	2/28/2007	Satisfactory	C
2006-07	UTSA	Information Technology Change Management		1		1	4/30/2007	Satisfactory	O
2006-10	UTSA	Library Audit				1	1/1/2007	Satisfactory	O
2006-04	UTTY	Endowment Compliance		1		0	12/31/2006	Completed	O
2006-05	UTSMC - Dallas	Accounts Payable		1		1	7/1/2007	Satisfactory	C, O
2006-09	UTSMC - Dallas	Hospital Compliance Program				1	2/1/2007	Satisfactory	C, O
2004-02	UTMB - Galveston	Compliance Inspection: Account Reconciliation and Segregation of Duties		1		0	12/31/2006	Completed	F, O
2005-03	UTMB - Galveston	Compliance Update with the HIPAA Final Security Rule (Institutional)		1		1	2/1/2007	Satisfactory	C, O
2005-07	UTMB - Galveston	Compliance Update with the HIPAA Final Security Rule (Correctional Managed Care)		3		3	2/1/2007	Satisfactory	C, O
2005-08	UTMB - Galveston	Audit of Institutional Review Board Human Subjects Protection		1		0	11/30/2006	Completed	C, O
2005-12	UTMB - Galveston	System-wide Financial Audit		1		1	2/1/2007	Satisfactory	F, C, O
2006-04	UTHSC - Houston	Hematology Inventory Review		3		1	1/2/2007	Satisfactory	F, O
2006-04	UTHSC - San Antonio	Medical Services, Research, and Development Plan Collections		3		3	3/31/2007	Satisfactory	O
2001-08	UTMDACC - Houston	Lotus Notes Environment		1		1	8/31/2008	Satisfactory	O
2004-01	UTMDACC - Houston	PeopleSoft Payroll		1		1	2/28/2007	Satisfactory	O
2006-07	UTMDACC - Houston	Pharmacy Inventory Review		3		2	5/31/2007	Satisfactory	O
2006-07	UTMDACC - Houston	Pharmacy Application Security Review		5		5	5/31/2007	Satisfactory	O
2006-09	UTMDACC - Houston	Centralized Backup, Storage and Recovery				3	8/31/2008	Satisfactory	C, O
2005-04	UTHC - Tyler	Texas Administrative Code 202 Compliance		1		1	1/31/2007	Satisfactory	C
2005-06	UTHC - Tyler	Medical Services, Research, and Development Plan Annual Financial Report 8/31/04		1		1	8/31/2007	Satisfactory	F, O
2005-11	UTHC - Tyler	IT Security Audit of Meditech and Lake Superior Software Patient Information Systems		1		1	2/28/2007	Satisfactory	C
2006-06	UTHC - Tyler	Review of the Office of the President's Travel & Entertainment		1		1	1/31/2007	Satisfactory	F
2005-12	UTSYS ADM	System-wide Financial Audit		4		4	8/31/2008	Satisfactory	F, O
2006-05	UTSYS ADM	UTIMCO Institutional Investment and Compliance Audits		11		8	8/31/2007	Satisfactory	C
2006-08	UTSYS ADM	UTIMCO CEO Travel and Entertainment Expenses		1		1	12/31/2006	Satisfactory	C, O
Totals				60		55			

THE UNIVERSITY OF TEXAS SYSTEM  
Status of Outstanding Significant Recommendations

Report Date	Institution	Audit	4th Quarter 2006		1st Quarter 2007		Targeted Implementation Date	Overall Progress Towards Completion (Note)	Ranking Significance  Material to Institution's Fin. Stmts. ("F"), Compliance ("C"), and/or Operations ("O")
			Ranking	# of Significant Findings	Ranking	# of Significant Findings			
<b>STATE AUDITOR'S OFFICE AUDITS</b>									
2002-09	UTB	Financial Review		1		0	3/31/2007	Completed	F
2004-02	UTSA	Financial Review		2		2	2/28/2007	Satisfactory	F
2004-06	UTSMC - Dallas	Protection of Research Data at Higher Education Institutions		1		1	1/31/2007	Satisfactory	O
2006-02	UTMB - Galveston	Federal Portion of the Statewide Single Audit FY 2005		1		1	2/1/2007	Satisfactory	F, C, O
2004-06	UTHSC - San Antonio	Protection of Research Data at Higher Education Institutions		1		1	2/28/2007	Satisfactory	O
2002-11	UTMDACC - Houston	Security Over Electronic Protected Health Information at Selected Texas Academic Medical Institutions		1		1	2/28/2007	Satisfactory	C
2005-02	UTMDACC - Houston	Federal Portion of the Statewide Single Audit FY 2004		2		2	5/31/2007	Satisfactory	C
Totals				9		8			

**Color Legend:**

- Any audit with institutionally significant findings. Not necessarily a failure - just an area that needs high level attention. Corrective action will be taken subsequent to the quarter in which the finding was reported.
- Significant progress toward resolution was made during the quarter in which the significant finding was first reported.
- A red or orange audit becomes a yellow when significant progress continues beyond the quarter in which the significant finding was first reported.
- All issues have been appropriately resolved, including any issues resolved during the quarter in which they were first reported.

Note: **Completed** - The institutional Internal Audit Director deems the significant issues have been appropriately addressed and resolved.  
**Satisfactory** - The institutional Internal Audit Director believes that the significant issues are in the process of being addressed in a timely and appropriate fashion.  
**Unsatisfactory** - The institutional Internal Audit Director does not feel that the significant issues are being addressed in a timely and appropriate fashion.

**\* OTHER U. T. SYSTEM AUDITS COMPLETED - 9/2006 through 11/2006**

Month Received by System	Institution	Audit
Sep-06	UT Dallas	Change in Management Review of the Office of the Vice President of Development
Sep-06	UT Southwestern Medical Center	Medical Services, Research, and Development Plan (MSRDP) Billing and Accounts Receivable
Sep-06	UT Southwestern Medical Center	Hospital Billing and Accounts Receivable
Sep-06	UT Southwestern Medical Center	Network Intrusion, Detection, and Remediation
Sep-06	UT Southwestern Medical Center	Follow-Up on Audit Recommendations Implemented or Due Prior to June 1, 2006
Sep-06	UT Southwestern Medical Center	Hospital Compliance Program
Sep-06	UTHSC San Antonio	Information Technology <i>Texas Administrative Code 202</i>
Sep-06	UT System Administration	University Lands-West Texas Operations Oil and Gas Company Audit: ConocoPhillips
Oct-06	UT Arlington	Joint Admissions Medical Program (JAMP)
Oct-06	UT Arlington	Financial Audit of Auxiliary Enterprises
Oct-06	UT Dallas	Change in Management Review of Recreational Sports
Oct-06	UT Pan American	Joint Admissions Medical Program (JAMP)
Oct-06	UT San Antonio	Campus Security: Overnight Summer Programs
Oct-06	UT San Antonio	Information Technology Incident Management Report
Oct-06	UT San Antonio	Minority Business Enterprise Center
Oct-06	UT San Antonio	Student Travel Audit Report
Oct-06	UT Southwestern Medical Center	Auxiliary Enterprise Management Review
Oct-06	UT Southwestern Medical Center	Utilities Management
Oct-06	UT Southwestern Medical Center	University Hospitals' Emergency Preparedness for Utility Systems Failures
Oct-06	UT Medical Branch at Galveston	Joint Admissions Medical Program (JAMP)
Oct-06	UTHSC San Antonio	President's Office Expenditures
Oct-06	UTHSC San Antonio	UT Medicine Financial Reporting
Oct-06	UT M. D. Anderson Cancer Center	Cloverleaf Change Management Audit
Oct-06	UT M. D. Anderson Cancer Center	LanVision Clinical Application Database Security
Oct-06	UT M. D. Anderson Cancer Center	M. D. Anderson Physicians Network Review
Oct-06	UT M. D. Anderson Cancer Center	Phillips PACS (Picture Archiving and Communications Systems) Clinical Application Database Security Review
Oct-06	UT M. D. Anderson Cancer Center	Post-implementation of the Outpatient Charge Capture Reconciliation Process
Oct-06	UT System Administration	UTIMCO Internal Controls Over Financial Reporting
Nov-06	UT Arlington	Academic Department of Accounting - Departmental Review
Nov-06	UT Arlington	President's Travel, Entertainment and Housing Expenditures
Nov-06	UT Austin	Joint Admissions Medical Program (JAMP)
Nov-06	UT Austin	Travel, Entertainment, and Housekeeping Expenses - Office of the President
Nov-06	UT Dallas	Joint Admissions Medical Program (JAMP)
Nov-06	UT Dallas	President's Travel and Entertainment Expenses
Nov-06	UT El Paso	Change in Management: Graduate School
Nov-06	UT El Paso	Change in Management: Research and Sponsored Projects
Nov-06	UT El Paso	Joint Admissions Medical Program (JAMP)
Nov-06	UT Pan American	President's Travel, Entertainment and Housing Expenses
Nov-06	UT Permian Basin	Joint Admissions Medical Program (JAMP)
Nov-06	UT San Antonio	Joint Admissions Medical Program (JAMP)
Nov-06	UT San Antonio	Presidential Travel, Entertainment and Housing Expense Audit Report
Nov-06	UT Tyler	College of Engineering and Computer Science
Nov-06	UT Tyler	Compliance Audit of NCAA Division III Requirements
Nov-06	UT Tyler	Environmental Health and Safety Department
Nov-06	UT Tyler	Joint Admissions Medical Program (JAMP)
Nov-06	UT Tyler	Office of the President
Nov-06	UT Southwestern Medical Center	Information Technology <i>Texas Administrative Code 202</i>
Nov-06	UT Southwestern Medical Center	Joint Admissions Medical Program (JAMP)
Nov-06	UT Southwestern Medical Center	President's Travel and Entertainment Expenditures
Nov-06	UT Medical Branch at Galveston	Review of Hospital Un-sponsored Charity Care
Nov-06	UT Medical Branch at Galveston	Review of Patient Information Management Processes
Nov-06	UTHSC Houston	Joint Admissions Medical Program (JAMP)
Nov-06	UTHSC Houston	Presidential Travel and Entertainment
Nov-06	UTHSC San Antonio	Joint Admissions Medical Program (JAMP)
Nov-06	UTHSC San Antonio	Student Services
Nov-06	UT M.D. Anderson Cancer Center	President's Travel, Entertainment and Housing Expense
Nov-06	UT System Administration	Academic Affairs Departmental Audit
Nov-06	UT System Administration	Follow-Up Audit 3rd Quarter Fiscal Year 2006
Nov-06	UT System Administration	Follow-Up Audit 3rd Quarter Fiscal Year 2006 - Information Technology Observations/Assessments
Nov-06	UT System Administration	Chancellor's Travel, Entertainment, and Housing Expenses

**\* STATE AUDITOR'S OFFICE AUDITS COMPLETED - 9/2006 through 11/2006**

Month Received by System	Institution	Audit
Oct-06	UT Medical Branch at Galveston	An Audit Report on the Cost of the State's Correctional Managed Health Care



5. **U. T. System: Report on System-wide Institutional Compliance Activities**

REPORT

Mr. Charles Chaffin, Chief Audit Executive and System-wide Compliance Officer, will brief the Audit, Compliance, and Management Review Committee on the first quarter report of the System-wide Compliance Program, set forth on Pages 244 - 247 of the Supplemental Materials (Volume 2) of the Agenda Book. Activity reports are presented to the Audit, Compliance, and Management Review Committee of the Board of Regents on a quarterly basis. The last activity report was sent on January 19, 2007.

Mr. Chaffin will then provide an update on the System-wide Compliance Program peer review.



**TABLE OF CONTENTS  
FOR  
STUDENT, FACULTY, AND STAFF CAMPUS LIFE  
COMMITTEE**

**Committee Meeting: 2/8/2007**  
Austin, Texas

*Judith L. Craven, M.D., Chairman*  
*John W. Barnhill, Jr.*  
*Rita C. Clements*  
*Robert A. Estrada*  
*Colleen McHugh*  
*Ann Tate, Chair, Employee Advisory Council*  
*Dennis Reinhartz, Chair, Faculty Advisory Council*  
*Crystal Gonzalez, Chair, Student Advisory Council*

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>Convene</b>	9:00 a.m. <i>Regent McHugh</i>		
<b>1. U. T. System: Report on the U. T. Service &amp; Civic Participation Program</b>	9:00 a.m. <b>Report</b> <i>Mr. De La Garza</i>	Not on Agenda	<b>146</b>
<b>2. U. T. System Board of Regents: Report on the National Survey of Student Engagement (NSSE)</b>	9:30 a.m. <b>Report</b> <i>Dr. Baldwin</i>	Not on Agenda	<b>146</b>
<b>Adjourn</b>	10:00 a.m.		

1. **U. T. System: Report on the U. T. Service & Civic Participation Program**

REPORT

Mr. John De La Garza, Director of Business Relations for the U. T. System, will present an overview of the U. T. Service & Civic Participation Program, an initiative to promote and recognize the volunteer activities of students, faculty, and staff/administration at the 15 institutions and System Administration. The web-based reporting program is designed in partnership with the President's Volunteer Service Award program.

The referenced web link, <http://www.presidentialserviceawards.gov/s/ut/>, may be found on Pages 248 - 251 of the Supplemental Materials (Volume 2) of the Agenda Book.

2. **U. T. System Board of Regents: Report on the National Survey of Student Engagement (NSSE)**

REPORT

Dr. Edward Baldwin, Research and Policy Analyst in the Office of Academic Affairs, will report on the results of the 2006 National Survey of Student Engagement (NSSE) and uses of the survey on campuses. A copy of his presentation is set forth on Pages 252 - 255 of the Supplemental Materials (Volume 2) of the Agenda Book.

BACKGROUND INFORMATION

Begun in 1998, the National Survey of Student Engagement (NSSE) is a survey instrument, administered to a random sample of first year and senior year students. U. T. System academic institutions have participated in the last seven administrations of the survey. The survey solicits information on all aspects of the college experience from time spent preparing for class, to relationships with faculty members, administrators, and fellow students, to the kinds of "mental activities" emphasized in coursework. NSSE participant schools closely resemble the national profile of four-year colleges and universities in all areas. The survey has received national attention and some call for it to be made public (*US News & World Report*, U.S. Department of Education).

Dr. Baldwin last reported on the NSSE to the Student, Faculty, and Staff Campus Life Committee on February 3, 2004.