

MINUTES
UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS
FINANCE AND ADMINISTRATION COMMITTEE

Wednesday, February 15, 2012 – The members of the Finance and Administration Committee of the University of Houston System convened at 10:40 a.m. on Wednesday, February 15, 2012 at the University of Houston-Clear Lake, Garden Room, Room 1510 Bayou Building, 2700 Bay Area Blvd., Houston, Texas, with the following members participating:

ATTENDANCE –

Present

Jarvis V. Hollingsworth, Chair
Spencer D. Armour, III, Member
Welcome W. Wilson, Jr., Member
Nelda Luce Blair, Ex Officio

Member(s) Absent

Tilman Fertitta, Member

Non-Member(s) Present

Nandita V. Berry, Regent
Roger F. Welder, Regent
Tamecia Glover Harris, Student Regent

In accordance with a notice being timely posted with the Secretary of State and there being a quorum present, Chair of the Committee, Jarvis V. Hollingsworth, called the meeting to order and thanked the University of Houston-Clear Lake for hosting the meeting.

With the exception of the minutes, Regent Hollingsworth stated there would be one (1) informational item and eight (8) action items presented for the committee's consideration. Regent Hollingsworth then introduced Item B, the approval of minutes.

AGENDA ITEMS

Action Items:

1. Approval of Minutes – Item B

On motion of Regent Armour, seconded by Regent Blair, and by a unanimous vote of the members in attendance, the following minutes from the meeting listed below were approved:

- November 16, 2011, Finance and Administration Committee Meeting

2. Approval of University of Houston consolidation of tuition and fee rates effective fall semester 2012 – University of Houston, Item C – F&A-C1

Dr. Carlucci, Executive Vice Chancellor for Administration and Finance requested approval of the University of Houston consolidation of tuition and fee rates effective fall semester

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2012. The current University of Houston mandatory tuition and fee structure is based on billing for individual courses and results in very long tuition and fee bills, and makes it difficult for students and their parents to determine the amount they will owe and plan accordingly.

Dr. Carlucci gave a powerpoint presentation which outlined the tuition and fee plan that had been developed for consolidating and simplifying tuition and fees based on a student's major for committee consideration. Below is a brief summary of Dr. Carlucci's remarks.

University of Houston's Current Tuition and Fee Structure:

- UH currently bases their tuition and fee structure on course enrollment and student major;
- Every course can have a different tuition and fee rate; and
- A student's cost will vary semester-to-semester even if taking the same number of credit hours.

Under the new plan, the University of Houston's Simplified Structure would be as follows:

- Based on a student's major (one of three rates for an undergraduate or a college-based rate for graduates);
- Students entering college for the first time (FTIC) would pay the same rate regardless of major for twelve months; and
- Simplification would be Revenue-Neutral.
- A comparison of University of Houston's peer institutions were addressed and compared.
- A current sample of a tuition and fee bill – 15-hour undergraduate with current tuition and fee structure was given. A discussion followed.
- The new structure flattens out the course fees to one (1) line, but the details will be available.

A breakdown of the University of Houston's consolidation of undergraduate tuition and fees were addressed and shown below:

At the undergraduate level, three (3) consolidated rates will be charged. First-time in college (FTIC) freshmen will pay one (1) rate regardless of major. Upperclassmen will pay one of three rates based on their majors. Rates for resident students were also addressed and in the table below:

<u>Student</u>	<u>Tuition & Fees Rate/Credit Hour</u>	<u>Percent of Credit Hours</u>	<u>Percent of Headcount</u>
<u>Group 1</u> University FTIC; Education; and Liberal Arts & Social Sciences–Liberal Arts	\$ 280	41%	47%
<u>Group 2</u> University Scholars; Liberal Arts & Social Sciences-Fine & Performing Arts; Hotel & Restaurant Management; Natural Sciences & Mathematics	300	31%	27%

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<u>Student</u>	<u>Tuition & Fees Rate/Credit Hour</u>	<u>Percent of Credit Hours</u>	<u>Percent of Headcount</u>
<u>Group 3</u> Architecture; Business; Engineering; and Technology	\$ 325	28%	26%

Below is the link to the complete presentation for reference: <http://www.uhsa.uh.edu/board-of-regents/documents/committee-board/021512FinAdminItems/FA-C2-20.pdf#FA-C2-20>

Several questions were raised as to the timeline for the students. Dr. John Antel, Senior Vice Chancellor for Academic Affairs and Provost explained that a student must declare a major after 30-credit hours and at that point it becomes the trigger for the new rates.

Dr. Antel and Dr. Richard Walker, Vice Chancellor for Student Affairs have been working with the Student Government Association and the faculty on a draft of an amended Student Bill of Rights and Responsibilities policy. Ms. Dona Cornell, Vice Chancellor for Legal Affairs and General Counsel is also reviewing this document. In the new policy, it will clearly state it is the responsibility of the student to declare a major at 30 hours. Dr. Antel stated some students had expressed concerns regarding the transparency, feedback and audit process of this new system; and he and Dr. Walker have been working with the students on these issues. It has been suggested that a semester-by-semester audit report be completed in order to see the revenue neutrality and the progress being made after the new system is in place.

Dr. Carlucci also addressed the graduate-level consolidated tuition and fee charges per semester credit hour. This was a much simpler process due to the fact that graduate students only take courses in their own major; but it goes from charging per course to a major charge. Several questions were raised by the regents and discussions followed.

On motion of Regent Armour, seconded by Regent Blair, and by a unanimous vote of the regents in attendance, the committee approved the University of Houston consolidation of tuition and fee rates effective fall semester 2012 – University of Houston; but after the first semester, the committee would like to see an experienced/predictability study of the new process to evaluate the procedure.

3. Approval of changes to the voluntary and optional fees and charges for the University of Houston System universities, University of Houston System – Item D – F&A-D21

Dr. Carlucci introduced the item and requested approval for changes to the voluntary and optional fees and charges for the University of Houston System campuses. The proposed increases include three campuses:

- (a) University of Houston – Academic voluntary and optional fees, housing, and meal plans;
- (b) University of Houston-Downtown parking; and
- (c) University of Houston-Victoria housing.

Dr. Carlucci presented a powerpoint report of the voluntary/optional fees and charges and below is a brief summary of his remarks:

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- The process for the student services and student affairs fees were a result of the meetings with the committees that included student representatives. In each of those cases, the fee was set based on not only a conversation about cost but a conversation on the level of service.
- In the case of housing, we have standardized the rate increase and included some additional services, particularly the inclusion of laundry services.

The Shared Governance System was addressed. Dr. Carlucci asked Ms. Emily Messa, Associate Vice Chancellor for Administration to give brief remarks on this issue.

Below is an overview of Ms. Messa's comments.

- There are a number of shared governance committees and university services.
 - (1) Food Service Advisory Committee;
 - (2) Parking and Transportation Advisory Committee; and
 - (3) Bookstore Advisory Committee.
- Residential Life and Housing has:
 - (1) Residence Halls Association which is the leadership group.

Dr. Carlucci stated that these committees not only recommend rate but the level of service. In the case of Food Service, they have recommended a plan this year that includes "*all you can eat, as many times as you want!*" Ms. Messa remarked that this replicates what students are used to on their cell phone service which is limited minutes, anytime. A national conversation has been addressed as to "what is the best meal plan." Across the country, the meal plans are changing to accommodate the new generation of students. The University continues to have success at our "Fresh Food Company" and after the first week of classes, 32,000 meals were served compared to two years ago when 11,000 meals were served in this same timeframe, said Ms. Messa. It is anticipated that the Westside Dining Hall, which will open next Fall, will continue the success of Food Service.

Dr. Carlucci addressed the voluntary and optional fees for Academic Affairs. These voluntary and optional fees fund programs or services that are not required of a student to enroll in classes, declare a major or graduate. They were:

- Study Abroad Programs
- Executive and Certificate Programs.

The UH-Downtown parking rate voluntary fees timeline for FY2013 was reviewed. There will be an average percentage increase of 53% for FY2013 and 18% for FY2014. The last increase in parking was in the Fall of 2004.

The voluntary fees timeline for UH-Victoria housing was addressed. The student housing rate increase of 4.0% was recommended to offset increased operating and maintenance costs. For FY2012, a single unit at Jaguar Hall (per academic year) was \$6,000 and for FY2013 with the 4.0% change, it would increase to \$6,240; a double unit at Jaguar Hall for FY2012 was \$4,250 and would increase to \$4,420.

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Below is the link to the complete presentation for reference:

<http://www.uhsa.uh.edu/board-of-regents/documents/committee-board/021512FinAdminItems/FA-D22-40.pdf#FA-D22-40>

On motion of Regent Armour, seconded by Regent Wilson, Jr., and by a unanimous vote of the regents in attendance, the committee approved the changes to the voluntary and optional fees and charges for the University of Houston System universities was approved.

4. Approval is requested to delegate authority up to \$5 million to the Chancellor to negotiate and execute insurance contracts for Fiscal Year 2012 – University of Houston System, Item E – F&A-E41

Dr. Carlucci introduced this item and requested approval to delegate authority to the Chancellor to negotiate and execute insurance policy renewals for FY2012. The current annualized insurance expense is approximately \$3.9 million and is increasing due to various aspects of the University's growth and premium increases in the overall insurance market. Unfortunately, not all policy quotations have been received thus the exact insurance premium is unknown, but the estimated amount for the annual premiums will not exceed \$5,000,000.

On motion of Regent Wilson, Jr., seconded by Regent Armour, and by a unanimous vote of the regents in attendance, the committee approved to delegate authority up to \$5 million to the Chancellor to negotiate and execute insurance contracts for FY2012.

5. Approval is requested to write-off Accounts and Notes Receivable for FY2011 – University of Houston System, Item F – F&A-F44

Dr. Carlucci requested approval to write-off Accounts and Notes Receivable for FY2011 for the University of Houston System. State universities are required by law to extend credit to students without consideration of credit history or ability to repay. The requested write-off amount totals \$5,846,960.

On motion of Regent Armour, seconded by Regent Wilson, Jr., and by a unanimous vote of the regents in attendance, the committee approved the request to write-off Accounts and Notes Receivable for FY2011 for the University of Houston System.

6. Approval is requested to delegate authority to the Chancellor to negotiate and execute a contract not to exceed \$1.5 million for the purchase of ventilated mouse cages for the University of Houston – University of Houston, Item G – F&A-G58

Dr. Carlucci requested approval to delegate authority to the Chancellor to negotiate a contract to purchase a ventilated mouse caging system using a competitive purchasing process. Dr. Carlucci asked Dr. Rathindra Bose, Vice Chancellor for Research and Technology Transfer to brief the committee on this item. Below is a summary of Dr. Bose's remarks:

- The price of the ventilated mouse cage is determined by nature of the cage required.
- Increasing the number of ventilated mouse cages allows for greater capacity of mouse boxes to be utilized in the Science and Research II (S&R II) building.

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- UH currently needs to increase the capacity of the mouse facility in S&R II by 3,500 mouse boxes in order to meet the increasing needs of principal investigators.
- Ventilated systems standardize and reduce the overall footprint within the floor plan of the animal rooms. The limited floor space in the S&R II building demands a higher density system.
- Ventilated racks offer the solution without the need to build more rodent housing space in another building.
- The filtered air intake component of the ventilated system is very effective for preventing virus and bacteria from entering the mouse cages and creating a rodent barrier facility.

Dr. Bose introduced David Brammer, Executive Director for Animal Care Operations who addressed the four benefits of the ventilated system:

- (a) Improved protection for the mice;
- (b) Improved protection for the workers in the rodent rooms from rodent antigens;
- (c) A reduction of cage change out frequencies; and
- (d) An increased number of mice that can be housed in the basement of S&R II.

On motion of Regent Armour, seconded by Regent Wilson, Jr., and by a unanimous vote of the regents in attendance, the committee approved the request to delegate authority to the Chancellor to negotiate and execute a contract not to exceed \$1.5 million for the purchase of ventilated mouse cages for the University of Houston.

7. Approval is requested to delegate authority to the Chancellor to negotiate and execute a multi-year contract (not to exceed two years with a one-year option to renew) for library subscription services for the M.D. Anderson Library – University of Houston, Item H – F&A-H60

Dr. Carlucci presented this item requesting approval to delegate authority to the Chancellor to negotiate and execute a multi-year contract (not to exceed two years with one-year option to renew) for library subscription services for the M.D. Anderson Library following a competitive procurement process. This contract would begin September 1, 2012. The estimated annual cost for approximately 4,000 subscriptions would be \$4,500,000.

On motion of Regent Armour, seconded by Regent Wilson, Jr., and by a unanimous vote of the regents in attendance, the committee approved the request to delegate authority to the Chancellor to negotiate and execute a multi-year contract (not to exceed two years with a one-year option to renew) for library subscription services for the M.D. Anderson Library.

8. Approval is requested to delegate authority to the Chancellor to negotiate and execute a contract for up to five years to purchase natural gas for the University of Houston – Item I – F&A-I62

Dr. Carlucci introduced this item requesting approval to delegate authority to the Chancellor to negotiate and execute a contract for up to five years to purchase natural gas for the University of Houston. Natural gas prices are now at historic lows and based on this, the University expects to save an additional 30% on the next contract beginning September 1,

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2012. The University purchases approximately \$2 million per year on natural gas, but it is the hope that we can take advantage of the low point in the current market and lock-in a good price.

Regent Armour commented that the front-month futures contract for natural gas is currently at a 10-year low so it is not likely to go lower - it's likely to go higher. Regent Armour stated the sooner we can start the negotiations the better and if we could lock-in that price now, without any escalation, that would certainly benefit the University.

On motion of Regent Wilson, Jr., seconded by Regent Armour, and by a unanimous vote of the regents in attendance, the committee approved the request to delegate authority to the Chancellor to negotiate and execute a contract for up to five years to purchase natural gas for the University of Houston.

9. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts associated with the sale of approximately 22.7 acres of land with improvement located in Ingleside, Texas – University of Houston System, Item J – F&AJ-64

Dr. Carlucci presented this item and requested approval to delegate authority to the Chancellor to negotiate and execute contracts associated with the sale of approximately 22.7 acres of land with improvement located in Ingleside, Texas. The largest tract of 12.88 acres is on the west side of FM 1960 with a 1,670 linear foot bulkhead fronting on the Jewell Fulton Canal. This property was a gift to the University of Houston System from BP America made in April 2009; and the University would use this land to build a wind blade testing facility. Dr. Carlucci stated that as part of the agreement, if the University did not develop the land for wind within three years, the University would consider selling the property. The property would be professionally marketed for sale at current market value and a new appraisal will be done. Dr. Carlucci emphasized that the University would only consider selling the land subject to receiving bids exceeding the appraised value.

On motion of Regent Armour, seconded by Regent Wilson, Jr., and by a unanimous vote of the regents in attendance, the committee approved the request to delegate authority to the Chancellor to negotiate and execute contracts associated with the sale of approximately 22.7 acres of land with improvement located in Ingleside, Texas.

At the conclusion of the committee approval of this item, Regent Hollingsworth called for a motion to place the following eight (8) action items, approved by the committee, on the Consent Docket Agenda for the February 15, 2012 Board of Regents meeting for final Board approval.

On motion of Regent Wilson, Jr., seconded by Regent Armour, and by a unanimous vote of the regents in attendance, the committee approved that the following eight (8) action items be placed on the Consent Docket Agenda for the February 15, 2012 Board of Regents meeting for final Board approval:

1. Approval of University of Houston consolidation of tuition and fee rates effective fall semester 2012 – University of Houston;

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2. Approval of changes to the voluntary and optional fees and charges for the University of Houston System universities, University of Houston System;
 3. Approval is requested to delegate authority up to \$5 million to the Chancellor to negotiate and execute insurance contracts for Fiscal Year 2012 – University of Houston System;
 4. Approval is requested to write-off Accounts and Notes Receivable for FY2011 – University of Houston System;
 5. Approval is requested to delegate authority to the Chancellor to negotiate and execute a contract not to exceed \$1.5 million for the purchase of ventilated mouse cages for the University of Houston;
 6. Approval is requested to delegate authority to the Chancellor to negotiate and execute a multi-year contract (not to exceed two years with a one-year option to renew) for library subscription services for the M.D. Anderson Library – University of Houston;
 7. Approval is requested to delegate authority to the Chancellor to negotiate and execute a contract for up to five years to purchase natural gas for the University of Houston; and
 8. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts associated with the sale of approximately 22.7 acres of land with improvement located in Ingleside, Texas – University of Houston System.
10. Report on the Sale of the Consolidated Revenue and Refunding Bonds, Series 2011A and Series 2011B and Overview of UH System Bonds – University of Houston, Item K – F&A-K77.

Raymond Bartlett, Treasurer for the University of Houston System gave a presentation on the sale of Series 2011A and 2011B bonds, as well as an overview of the University of Houston System Bonds. Below is a summary of Mr. Bartlett's remarks:

- On December 6, 2011, we priced, sold, competitively approximately \$290 million in bonds and closed on December 29, 2011.
- Series 2011A: \$265.5 million received eight bids with a low TIC of 3.71%.
- Series 2011B (taxable): \$21.3 million received five bids with a low TIC of 4.31%.
- Weighted average TIC of both bond issues was 3.75%.
- Series 2011A bonds included the refunding of \$87.5 million of debt.
- The refunding generated \$11.4 million of present value savings (13.06%).
- 70% of the savings benefits the State of Texas – TRBs and 30% of the savings benefits the System – about \$375k/year for 9 years.
- Outstanding bonds totaled \$856.8 million.
- As of January 31, 2012, 24% or \$203.6 million of the current debt outstanding was backed by Tuition Revenue Bonds (TRBs); 76% or \$653.2 million was University funded through a variety of revenue streams.
- The outstanding bonds total of \$856.8 million was broken down by university as follows:
 - University of Houston - \$723.1 million or 85%;
 - University of Houston-Clear Lake - \$29 million or 3%;
 - University of Houston-Downtown - \$52.6 million or 6%; and
 - University of Houston-Victoria - \$52.1 million or 6%.
- The outstanding bonds total of \$856.8 million was summarized by purpose as follows:
 - 39% or \$36.7 million was for Education and General (E&G); and
 - 61% or \$520.1 million for Auxiliary.

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- The auxiliary portion of the total or 61% was addressed as follows:
 - 53% or \$273.7 million was for housing;
 - 22% or \$111.9 million for student service;
 - 16% or \$84.1 million for parking; and
 - The remaining balance of approximately 10% or \$50.4 million was comprised of:
 - (a) Food Service;
 - (b) Community Service;
 - (c) Athletics; and
 - (d) Other Components.
- The list of bond funded auxiliary projects were addressed as follows:
 - Parking (Welcome Center garage, East Parking garage, Stadium Parking garage, and Multi-modal garage);
 - Housing (Cougar Village I, Cougar Village II, Calhoun Lofts, Cougar Place replacement, Bayou Oaks, and Quadrangle & Moody Towers refresh);
 - Student Service (University Center addition/renovation and Campus Recreation and Wellness Center);
 - Food Service (Moody Towers Dining Hall and West Dining Hall);
 - Athletics (Athletics/Alumni Center);
 - Community Service (KUHA license acquisition); and
 - Other Components (UHV Jaguar Hall and UHV Sophomore Housing).
- As of 2010, UHS Direct Debt per Student (FTE) was stated at \$14,586; and a comparison was given of the University of Houston vs. other Texas System Universities as follows:
 - UT System - \$41,577;
 - Texas A&M System - \$23,369;
 - Texas Tech System - \$15,330; and
 - UNT System - \$14,625.
- The total FY12 Debt Service was \$57.1 million.
- The total net debt service by funding was summarized as follows:
 - 60% or \$34.2 million for university funded; and
 - 40% or \$22.9 million for Tuition Revenue Bonds (TRBs)
- The total net debt service by university was outlined as follows:
 - University of Houston - \$43.4 million or 76%;
 - University of Houston-Clear Lake - \$2.9 million or 5%;
 - University of Houston-Downtown - \$6.3% million or 11%; and
 - University of Houston-Victoria - \$4.5 million or 8%.
- Total Debt Service to Maturity - \$1.37 billion.

A complete copy of Mr. Bartlett's powerpoint presentation may be found at the following link: <http://www.uhsa.uh.edu/board-of-regents/documents/committee-board/021512FinAdminItems/FA-K78-88.pdf#FA-K78-88>

Dr. Carlucci addressed what the impact was on the budget and referred to page 6 in the presentation given by Mr. Bartlett. There are approximately 20+ projects in the portfolio that the university was financing, not including the refinancing. Dr. Carlucci stated that when a project is added and financed, a pro forma is completed and a project is not accepted unless it meets the university's coverage ratio requirements of 1.2% (the revenue generated

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by the project will pay the debt service and give a cushion over that debt service). The revenue must be 20% over the debt service and that applies to all of the projects but two of them. The goal is to add new projects that will help to improve the 1.2% coverage ratio. A discussion followed.

This item was for information only and required no committee action.

There being no further business to come before the committee the meeting adjourned at 12:15 p.m.

All documentation submitted to the Committee in support of the foregoing action items, including but not limited to "Passed" agenda items and supporting documentation presented to the Committee, is incorporated herein and made a part of these minutes for all purposes; however, this does not constitute a waiver of any privileges contained herein.

Others Present:

Renu Khator
Carl Carlucci
John Antel
Dona Cornell
Philip Castille
William Flores
William Staples
Rathindra Bose
Grover Campbell
Eloise Stuhr
Richard Walker
Emily Messa
Sean York
Mack Rhoades
Jeffrey Cass
Mike Glisson
Karen Clarke
Marquette Hobbs

Carroll Robertson Ray
Dan Maxwell
John Rodriquez
Craig Ness
Russ Hoskins
Bob Schneller
Mike Emery
Michelle Dotter
David Ellis
Malcolm Davis
Oscar Gutierrez
Selesta Hodge
Dick Phillips
Marshall Schott
Karen Livingston
T.J. Meagher
Mary Ann Shallberg
Gerry Mathisen

Don Guyton
Raymond Bartlett
Willie Munson
Andrea Bach
Malcolm Davis
Tom Ehardt
Wayne Beran
Monica McHenry
Chris Stanich
Dimitri Litvinov
Ed Hugetz
Eno Udoh
Carl Stockton
Don Yackley
David Brammer
David Bradley
Jon Aldrich