

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

Wednesday, February 26, 2014 – The members of the Finance and Administration Committee of the University of Houston System convened at 10:23 a.m. on Wednesday, February 26, 2014 at the University of Houston, Conrad Hilton Ballroom, Second Floor, 4800 Calhoun, Houston, Texas, with the following members participating:

ATTENDANCE –

Present

Spencer D. Armour, III, Chair
Welcome W. Wilson, Jr., Vice Chair
Peter K. Taaffe, Member
Jarvis V. Hollingsworth, Ex Officio

Member(s) Absent

Tilman J. Fertitta, Member

Non-Member(s) Present

Roger F. Welder, Regent
Benjamin P. Wells, Student Regent

In accordance with a notice being timely posted with the Secretary of State and there being a quorum of the board present, Chair of the Committee, Spencer D. Armour, III called the meeting to order.

Regent Armour moved to the first item on the agenda, Item B, the approval of the minutes from the following Finance and Administration Committee meeting:

1. August 14, 2013, Finance and Administration Committee Minutes

AGENDA ITEMS

Action Items:

1. Approval of Minutes – Item B

On motion of Regent Wilson, Jr., seconded by Regent Taaffe, and by a unanimous vote of the members in attendance, the minutes from the following meeting listed below was approved:

- August 14, 2013, Finance and Administration Committee Meeting.

Following the approval of the minutes, Regent Armour stated the committee would be presented 17 agenda items, 15 of which required the committee's consideration and approval and the remaining two (2) items presented for information only.

Regent Armour asked Dr. Carl Carlucci, Executive Vice Chancellor for Administration and Finance, to introduce the first four items which related to tuition and fees.

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Dr. Carlucci introduced a package of four (4) tuition and fee items as follows:

1. Approval is requested to establish a 4-Year Fixed Tuition rates for FY2015 and FY2016 at the University of Houston System – University of Houston System, Item C;
2. Approval is requested for changes to the FY2015 and FY2016 variable-rate undergraduate and graduate tuition and fee rates for the University of Houston System campuses – University of Houston System, Item D;
3. Approval is requested for changes to the mandatory student-recommended fees for the University of Houston System campuses – University of Houston System, Item E; and
4. Approval is requested for changes to the voluntary and optional fees and charges for Fiscal Year 2015 for the University of Houston System campuses – University of Houston System, Item F.

Dr. Carlucci stated the first item addressed would be the fixed 4-year tuition item. The campus tuition and fee process was outlined which showed how tuition and fees are set. The steps include:

1. Committee consultation;
2. Public presentations;
3. Tuition and Fee Committee recommendations to presidents; and
4. Chancellor and presidents develop recommendations for Board.

The fixed tuition is a requirement that the Texas House adopted – House Bill 29 which requires all universities to offer a fixed tuition price schedule. It can be optional or mandatory; and it would cover 12 consecutive semesters (four (4) academic years and three (3) summers). It applies to all freshmen and undergraduate students who transfer to the institution; and it can be subject to restrictions or qualifications adopted by the governing board.

Dr. Carlucci stated the fixed tuition was tailored around a 15 credit hour load because in order to graduate in four (4) years a student must take 15 credit hours a semester and/or 30 credit hours an academic year.

The optional 4-year fixed tuition rates proposed for the four (4) UH System campuses were outlined as follows:

1. This is an optional program.
2. The FY2015 rates would apply to the Fall 2014 cohort of first time in college (FTIC) freshmen plus undergraduate transfer students entering in Fall 2014.
3. The FY2016 rates would apply to the Fall 2015 cohort of FTIC freshmen plus undergraduate transfer students entering in Fall 2015.
4. The FY2015 rates were developed under the assumption that variable-rate tuition would escalate at an inflation rate of 2.2% over the next four years.
5. Non-resident premiums would be charged in addition to the rates listed below.
6. Student-based fees would be in addition to the amounts listed below.

Dr. Carlucci gave a brief summary of each campus which reflected each of their estimations as to what was likely under a fixed tuition scenario. The UH campus has seen approximately 24% of its students accomplish 30-semester credit hours in a year; it was lower at the other three (3) UH

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System campuses. In the case of the UH rate, it was for a 15-credit all-in commitment and the UH-in-4 would cover the support for students who opt for this full-time program. Dr. Paula Myrick Short, Senior Vice Chancellor for Academic Affairs and Provost has a work group that will be dealing with all of the details such as how they deal with transfer credits; to how they would accommodate semesters away; such things as students who drop out or need extra help and how they would be able to request that. All of the details are currently in progress right.

In the case of UH-Clear Lake, UH-Downtown and UH-Victoria, the rate that is shown below is basically the 15-credit aggregate. Again, there will be different rates of choice of this option so we are trying to make certain that they apply differentially to the different campuses.

Regent Hollingsworth asked Dr. Carlucci as to how the price had been determined for each campus. Dr. Carlucci stated they had basically looked at the current pricing for the UH campus and for the other campuses and there was a slightly different approach on each campus as to how they priced the rate. In the case of the three (3) comprehensive campuses, the rate was priced based on an aggregate of 15-credit hours. In the case of the UH pricing, there were three (3) separate rates for the three (3) college groupings. For the most part, the mid-point of that rate was taken; therefore, there could be a significant savings that a student could realize based on what major they select and how many credits they take. Currently, under our three (3) groupings, the lowest rate is primarily for freshmen so they would only have that rate for one (1) year. Therefore, the purpose of the fixed 4-year rate was that as the rates for the variable tuition change from year-to-year - they would not affect this rate because it would be a locked-in rate for four (4) years. There is an opportunity for significant savings for a student both because the graduation time has been shortened to four (4) years; but also in the case of UH, the 15-credit or 30-credit hours a year is a maximum amount. A student would not pay any more should they decide to take additional credit hours. National research has shown that to improve graduation rates you do not want to have students paying for a full load and/or taking additional credits.

An average student would save money on tuition with the UH-in-4. Dr. Carlucci stated that the reason a student would save money the three (3) comprehensive campuses is that the rate would be fixed and not increase over the four (4) year period. The UH System still reserves the right to set a rate each fiscal year for that incoming freshmen class for those four (4) years. Dr. Carlucci reiterated that at this meeting the committee would be considering a two-year recommendation for both the variable rate and the fixed rate. A lengthy discussion followed.

4-Year Fixed Tuition FY2015 Cohort

	<u>UH</u>	<u>UHCL</u>	<u>UHD</u>	<u>UHV</u>
FY2015 Cohort (per semester)	\$ for 15 SCH	\$ for 15 SCH	\$ for 15 SCH	\$ for 15 SCH
- Resident Undergraduate	\$4,750	\$3,472	\$3,275	\$3,283

4-Year Fixed Tuition FY2016 Cohort

	<u>UH</u>		<u>UHCL</u>		<u>UHD</u>		<u>UHV</u>	
FY2016 Cohort (per semester)	\$ Change	% Change	\$ Change	% Change	\$ Change	% Change	\$ Change	% Change
- Resident Undergraduate	\$105	2.2%	\$150	4.3%	\$140	4.3%	\$119	3.6%

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On motion of Regent Wilson, Jr., seconded by Regent Taaffe, and by a unanimous vote of the regents in attendance, the request to establish 4-Year Fixed Tuition Rates for FY2015 and FY2016 at the University of Houston System was approved.

Dr. Carlucci presented, Item D, the request for changes to the FY2015 and FY2016 variable-rate undergraduate and graduate tuition and fee rates for the UH System campuses. He stated that the variable-rate tuition remains in effect at all of the UH System campuses. A slide was shown which outlined the Legislative funding per credit hour from FY2000 to FY2015. The per credit hour for FY2014-FY2015 was \$54.86 (a slight increase from the FY2012-FY2013 amount of \$53.71 but less than the FY2010-FY2011 amount of \$62.19); and that credit hours were weighted based on discipline. Over the past 30 years, State support has declined. An overview of the UH System campuses and their peers was also addressed; and compared to our national peers, Dr. Carlucci stated we were not over-priced.

Each System campus was asked to indicate how they would use additional revenue. The University of Houston's focus continues to be on student and faculty retention and enhancement strategies with student success being the primary mission. Dr. Carlucci outlined the various proposed increases for each System campus as noted below.

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For the UH undergraduate increase, as a committee, they discussed how they could make it transparent and predictable. The recommendation for UH was that we would use CPI but rounded off. This was presented to the committee and the Student Government Association. The recommendation was approximately a CPI-driven 2.2% increase in our individual college rate for the next two (2) years.

The University of Houston – undergraduate 15-SCH increases, excluding mandatory student-recommended fees for each group were noted as follows:

- Group 1 – FY2014 - \$292 (Actual); FY2015 - \$300 (Proposed); FY2016 - \$305 (Proposed)
- Group 2 – FY2014 - \$313 (Actual); FY2015 - \$320 (Proposed); FY2016 - \$325 (Proposed)
- Group 3 – FY2014 - \$339 (Actual); FY2015 - \$345 (Proposed); FY2016 - \$355 (Proposed)

The University of Houston – graduate increases, excluding mandatory student-recommended fees were noted as follows:

Doctoral Programs – No increases

Masters Programs – 2.2% increase each year

Exceptions:

Business Masters – FY2015 – 9.7%; FY2016 – 2.2%

Engineering Masters – Each year 3.0%

Law (LLM) Masters – No increase

Social Work Masters – FY2015 – 5.3%; FY2016 – 1.5%

Technology Masters – Each year 3.5%

Optometry O.D. – No increase

Pharmacy Pharm D – FY2015 – 9.1%; FY2016 – 9.0% for Building Program

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University of Houston-Clear Lake

The UH-Clear Lake recommended strategies/initiatives were to support student success as follows:

1. Faculty and staff recruitment and retention
2. Additional faculty for high growth programs
3. Faculty for new program in nursing
4. Support four (4) year initiative/downward expansion
 - Student Success Center, Math Center, Writing Center
 - Centralized Advising Center
 - Testing Center
 - Library Resources
 - Veteran's Services Office

The proposed FY2015 and FY2016 variable rate tuition and fees for UH-Clear Lake, excluding mandatory student-recommended fees were noted as follows:

UHCL Undergraduate (15 SCH) – FY2014 - \$3,158 (Actual); FY2015 - \$3,326 (Proposed \$168 – 5.3% increase); FY2016 - \$3,491 (Proposed \$165 – 5.0% increase).

UHCL Graduate (9 SCH) – FY2014 - \$3,466 (Actual); FY2015 - \$3,682 (Proposed \$216 – 6.2% increase); FY2016 - \$3,898 (Proposed \$216 – 5.9% increase).

University of Houston-Downtown

The UH-Downtown recommended strategies/initiatives were to support student success as follows:

1. Improve student advising
2. Support enrollment growth
3. Increase financial aid
4. Improve teaching and learning
5. Enhance student support and learning environment
6. Strengthen online learning.

The proposed FY2015 and FY2016 variable rate tuition and fees for UH-Downtown, excluding mandatory student-recommended fees were noted as follows:

UHD Undergraduate (15 SCH) – FY2014 - \$2,981 (Actual); FY2015 - \$3,155 (Proposed \$174 – 5.8% increase); FY2016 - \$3,317 (Proposed \$162 – 5.1% increase).

UHCL Graduate (9 SCH) – FY2014 - \$2,861 (Actual); FY2015 - \$3,090 (Proposed \$229 – 8.0% increase); FY2016 - \$3,288 (Proposed \$198 – 6.4% increase).

University of Houston-Victoria

The UH-Victoria recommended strategies/initiatives were to support student success as follows:

1. New faculty positions to meet demands in general education and student majors
2. Expanded student scholarships
3. Support for student life, student success, facilities, and IT operations

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4. Support for growing off-campus programs in Fort Bend County and The Woodlands.

The proposed FY2015 and FY2016 variable rate tuition and fees for UH-Victoria, excluding mandatory student-recommended fees were noted as follows:

UHV Undergraduate (15 SCH) – FY2014 - \$3,007 (Actual); FY2015 - \$3,164 (Proposed \$157 – 5.2% increase); FY2016 - \$3,311 (Proposed \$147 – 4.6% increase).

UHV Graduate (9 SCH) – FY2014 - \$2,600 (Actual); FY2015 - \$2,916 (Proposed \$316 – 12.2% increase); FY2016 - \$3,129 (Proposed \$213 – 7.3% increase).

FY2015 Non-Resident Premium Tuition

Dr. Carlucci outlined FY2015 non-resident premium tuition for the UH System campuses. The premium tuition amounts shown were those that non-resident students pay above the resident tuition rates. These rates apply to both 4-year fixed and variable rate tuition; and the State-mandated amounts are determined annually by the Texas Higher Education Coordinating Board (THECB). Below is the breakdown for reference. A brief discussion followed.

Non-Resident Tuition Premium

FY2014 (current, per SCH)	<u>UH</u>	<u>UHCL</u>	<u>UHD</u>	<u>UHV</u>
State-Mandated Pass-through	\$354	\$354	\$354	\$354
Additional for Undergraduates	---	\$ 60	---	---
Additional for Graduates	---	\$ 38	---	---

FY2015 (per SCH)	<u>UH</u>	<u>UHCL</u>	<u>UHD</u>	<u>UHV</u>
State-Mandated Pass-through	\$362	\$362	\$362	\$362
Additional for Undergraduates	\$100	\$ 70	---	---
Additional for Graduates	\$100	\$ 50	---	---

On motion of Regent Taaffe, seconded by Regent Wilson, Jr., and by a unanimous vote of the regents in attendance, the request for changes to the FY2015 and FY2016 variable-rate undergraduate and graduate tuition and fee rates for the University of Houston System was approved.

Dr. Carlucci introduced Item E, the request for changes to the mandatory student-recommended fees for the University of Houston System campuses – University of Houston.

Dr. Carlucci stated these recommended fees represent the student fees that are imposed by the students as service fees or support of specific programs, recreation and the University Center at UH; and at UHV they are the generic student service fees. Below is the breakdown of these fees for reference:

	<u>Current</u>	<u>\$ Change</u>	<u>% Change</u>	<u>New</u>
<u>University of Houston</u>				
- Student Service Fee FY2015	\$240	\$10	4.2%	\$250
- Campus Recreation Fee FY2015	\$ 84	\$ 8	9.5%	\$ 92
- University Center Fee FY2015	\$135	\$ -0-	0.0%	\$135

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Dr. Carlucci outlined the University of Houston Student Service Fee (SSF) recommendation process and timeline; the Student Fees Advisory Committee (SFAC) FY2015 recommendation of raising the total Student Service Fee collected by \$10 to meet the changing needs of the UH student population, support increased student programming and enhance student engagement; and the Campus Recreation Advisory Board's composition and their fee increase proposal review process.

	<u>Current</u>	<u>\$ Change</u>	<u>% Change</u>	<u>New</u>
<u>UH-Victoria</u>				
- Student Service Fee FY2015	\$191	\$19	9.9%	\$210
- Student Service Fee FY2016	\$210	\$21	9.9%	\$231

For FY2015, UHV would increase the hourly rate from \$31 to \$35 and the maximum rate from \$191 to \$210 per semester. The revenue would provide additional support for campus safety, student retention efforts, student services to the centers and online, and student transportation. For FY2016, UHV would increase the hourly rate from \$35 to \$38.50 and the maximum rate from \$210 to \$231 per semester. The revenue would provide additional support for campus safety and student services both face-to-face and online.

Regent Wells stated that since UHV recently completed their downward expansion he thought it would be beneficial to the Board if someone from UHV could briefly present on the procedures they used.

President Castille remarked that the increase requested by UHV was primarily due to student service fees driven by their move into downward expansion from 2010 forward. The additional money would be used for campus safety since three (3) residence halls have been added since 2010; and to invest in student retention efforts. Since the first year of downward expansion, when their retention rate was approximately 50%; the retention rate in the Fall of 2013 has increased to 88.5%, which is a very competitive number and shows that the money invested in student retention and student services has been paying off.

Regent Wells asked specifically what the procedures had been of the Student Services Advisory Committee (SSAC) and how the consultation with students had been undertaken. President Castille requested Wayne Beran, Vice President for Finance, comment on the hearings that were held at UHV. Mr. Beran stated UHV had followed the State-mandated format and had a hearing with five (5) students, two (2) faculty, and two (2) staff members. He stated they had a lively discussion from how the dorms were maintained, to what the fees would be used for; and after the hearing, a question and answer period followed. Mr. Beran stated there was 100% agreement amongst the participants following the hearing. The results of this hearing were then forwarded to the President of UHV with their recommendation from the committee. The next day, a public hearing was held which UHV connected Sugar Land, Katy and Cinco Ranch to their campus and an open discussion was held. Regent Wells asked Mr. Beran if in the SSAC Committee meeting a vote is taken and tallied and then a report is compiled by the committee and presented to the President for reference; and Mr. Beran stated that that was correct.

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On motion of Regent Taaffe, seconded by Regent Wilson, Jr., and by a unanimous vote of the regents in attendance, the request for changes to the mandatory student-recommended fees for the University of Houston System campuses was approved.

Dr. Carlucci presented Item F, the final item pertaining to tuition and fees, which requested approval for changes to the voluntary and optional fees and charges for Fiscal Year 2015 for the University of Houston System campuses. Dr. Carlucci stated the voluntary and optional fees were driven by the market. Included in the academic fees were items such as travel and special programs and certificates; and in the case of housing and meal plans, they were as a result of the examination of increased cost in providing housing and meal plans. Dr. Carlucci stated that committees had also been used to review and approve the recommended changes. The University of Houston (UH) had conducted a survey of other institutions looking at the market; has taken this survey to its advisory committee; and then had town hall meetings on the both the housing and meal plans. The University of Houston has proposed a 3% change in their housing rates as well as a 3% average increase for the meal plan rates.

Dr. Carlucci stated that the market was changing and pointed out that there were four (4) private projects currently being constructed around the UH campus and they would be driving the market and competition for our housing. The proposed increases for the meal plan rates for UH goes through the Food Service Advisory Committee and this is largely devoted towards providing different food options. UH-Victoria has a proposal of a 3% increase in their housing rates as well as a 3%-4% increase in their meal plans – again based on the programs they offer.

On motion of Regent Wilson, Jr., seconded by Regent Taaffe, and by a unanimous vote of the regents in attendance, the request for changes to the voluntary and optional fees and charges for Fiscal Year 2015 for the University of Houston System campuses was approved.

After the committee's approval of the four (4) tuition and fees items, Regent Armour stated that these four (4) items would be addressed by the full board at the Board of Regents meeting to be held later in the day, Wednesday, February 26, 2014.

Regent Armour stated that the next nine (9) action items for the committee's approval would address the request to delegate authority to the Chancellor to negotiate and execute various contracts for the University of Houston System and UH.

The first of the nine (9) action items for the committee's consideration was Item G, Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for the re-construction of Building 1A located on the University of Houston Energy Research Park Campus – University of Houston. Dr. Carlucci presented this item and stated this was the last of the existing buildings that can undergo a full renovation in the UH Energy Research Park. Building 1A is part of the original administrative complex and the intended use of the building will be to primarily house Development and flexible swing office space for UHS tenants requiring office space when affected by other campus improvements. This will be a rebuild on the same foundation with the same steel. The facility will be a two-story structure consisting of approximately 28,000 square feet. This \$7.0 million project will be financed with cash and commercial paper. An RFP had been sent out for bids; it was a competitive bid process; and

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Vaughn Construction has the bid. Regent Hollingsworth requested he would like to see the list of professionals/firms who we negotiate with on projects moving forward.

On motion of Regent Wilson, Jr., seconded by Regent Taaffe, and by a unanimous vote of the regents in attendance, the request to delegate authority to the Chancellor to negotiate and execute contracts for the re-construction of Building 1A located on the University of Houston Energy Research Park Campus was approved.

Dr. Carlucci introduced and presented the next item on the agenda, Item H, Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for the build-out of Building 5 located at the University of Houston Energy Research Park – University of Houston.

Dr. Carlucci stated this request was for the build-out of Building 5 located in the UH Energy Research Park. This project will be financed with commercial paper; and would be for tenants who have been recruited by Research. Building 5 is currently a warehouse (shell) that the university has brought up to a standard so that specific portions can be built-out for wet labs and incubators. The potential layout of the warehouse was addressed and the first tenant in this facility will be C-Voltaics. Each individual tenant's space would be built-out to spec; and the estimate the university would spend to build-out the entire facility as labs would be up to the amount of \$10.5 million stated Dr. Carlucci. This will only occur as individual tenants are identified, signed up and committed to the space and the rent that would support the commercial paper. The timeframe for tenants was questioned and Dr. Mark Clarke, Associate Vice Chancellor for Technology Transfer, stated that it is hopeful that tenants would be in the facility by the end of the year or early 2015.

On motion of Regent Taaffe, seconded by Regent Wilson, Jr., and by a unanimous vote of the regents in attendance, the request to delegate authority to the Chancellor to negotiate and execute contracts for the build-out of Building 5 located at the University of Houston Energy Research Park was approved.

The next item presented to the committee for their consideration was Item I, Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for design and construction of the new Basketball Practice Facility at the University of Houston – University of Houston.

Dr. Carlucci presented this item and stated the Facilities, Construction and Master Planning Committee had approved the site and program for the new Basketball Practice Facility. This agenda item is for the financing of this facility. Dr. Carlucci asked Ms. Eloise Dunn Stuhr, Vice Chancellor for University Advancement and Mr. Mack Rhoades, Vice President for Intercollegiate Athletics had some good news and asked them to address the committee on this issue.

Ms. Stuhr stated that with pledges signed as recently as yesterday, the university now has \$5.0 million in new funding, pledges guaranteed for the Basketball Practice Facility so that with the

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\$15.0 million total, it is her understanding that there is a possibility of a \$20.0 million Basketball Practice Facility which will be wonderful for our student athletes.

Mr. Rhoades thanked Ms. Stuhr and her staff as well as Katina Jackson for their efforts. In approximately three (3) weeks' time, they have been able to secure \$5.0 million in pledges to add to the \$15.0 million in cash already in hand. He stated that it is expected that the Basketball Practice Facility will be at a total cost of \$20.0 million which has been based on some similar projects, particularly Kansas State and East Carolina, who has recently completed their facility. The total square footage will be somewhere between 50,000-52,000 sq. ft.

Dr. Carlucci requested that the backup language be amended for this item which currently states \$15.0 million and proposed that it be increased to a \$20.0 million item. The financing for this project will all be funded through donations. A brief discussion followed.

On motion of Regent Wilson, Jr., seconded by Regent Taaffe, and by a unanimous vote of the regents in attendance, the request to delegate authority to the Chancellor to negotiate and execute contracts with the amended backup language from \$15.0 million to \$20.0 million for the design and construction of the new Basketball Practice Facility at the University of Houston was approved.

The next agenda item, Item J, Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for design and construction of Girard Street Parking Garage and Welcome Center at the University of Houston-Downtown – University of Houston-Downtown was introduced by Dr. Carlucci.

Dr. Carlucci stated that the Board of Regents had initially approved this item on May 14, 2013. At that time, the projected budget for this project was \$16.5 million. The projected budget for this project is now \$19.0 million (an increase of \$2.5 million) due to conditions with the site as well as due to escalation. The funding for this project would be additional funds provided by UH-Downtown, primarily with HEAF. No bonds or additional financing will be required.

On motion of Regent Wilson, Jr., seconded by Regent Taaffe, and by a unanimous vote of the regents in attendance, the request to delegate authority to the Chancellor to negotiate and execute contracts for design and construction of Girard Street Parking Garage and Welcome Center at the University of Houston-Downtown was approved.

Regent Hollingsworth also requested that when future items are submitted to the Board requiring approval to delegate authority to the Chancellor to negotiate and execute contracts that name(s) of the vendor(s) who will be providing the work and who the Chancellor will be negotiating with are included in the agenda item.

Dr. Carlucci presented the next item for the committee's consideration, Item K, Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for the sale of the University of Houston real properties acquired through gifts and to use local brokers as needed – University of Houston System.

University of Houston System

This agenda item consists of a series of small properties that had been acquired by the Endowment. The estimated value of these properties is approximately \$160,000; and the proceeds from the sale of these properties would go into the Endowment. Local brokers will be used, particularly for those properties that are out-of-state.

Regent Wilson, Jr. asked whether a process was in place to determine if the university might have a use for such properties. Dr. Carlucci stated that a review process had been done by the Endowment and he believes that after review these properties do not have any potential value for the university. Regent Wilson, Jr. asked that after the Endowment reviewed such gifts in the future that they advise the campuses so that the campuses could determine whether or not they would have an interest in buying such properties from the Endowment. Ms. Cornell stated that there was a process in place whereby when the Gift Acceptance Committee evaluates the land, they do review all of the possible uses for that land, including keeping it within the university's umbrella in terms of ownership. The Board also stated that the Real Estate Department within the university should be involved in this process as well. A brief discussion followed.

On motion of Regent Taaffe, seconded by Regent Wilson, Jr., and by a unanimous vote of the regents in attendance, the request to delegate authority to the Chancellor to negotiate and execute contracts for the sale of the University of Houston real properties acquired through gifts and to use local brokers as needed was approved.

Item L, Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts associated with the sale of land by the University of Houston System to the Houston Parks Board – University of Houston System was the next action item presented to the committee for their consideration.

Dr. Carlucci presented this item for the committee's consideration and stated the university has a tract of land that would be sold to the Houston Parks Board which they will use to widen the Brays Bayou. The Houston Parks Board will convey the land to the Harris County Flood Control District for the purpose of completing necessary engineering improvements to the Brays Bayou. Pending final Board approval, at the Facilities, Construction and Master Planning Committee held on Tuesday, February 25, 2014, the committee approved the conveyance of two easements and a sale of land to the Houston Parks Board for their continuing work on the Bayou Trail. Regent Wilson, Jr. stated that this was all part of the Houston Trail System, an initiative by the current administration of the City of Houston which would provide walking and jogging trails throughout the city to connect the neighborhoods together. Two required appraisals have been completed and Dr. Carlucci stated the valuation of the property was \$366,000.

On motion of Regent Taaffe, seconded by Regent Wilson, Jr., and by a unanimous vote of the regents in attendance, the request to delegate authority to the Chancellor to negotiate and execute contracts associated with the sale of land by the University of Houston System to the Houston Parks Board was approved.

The next action item presented was Item M, the Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for purchase of land by the University of Houston-Victoria – University of Houston-Victoria.

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Dr. Carlucci presented this item and stated that the Board had approved a Master Plan for the University of Houston-Victoria which included a number of parcels and this particular request was to acquire an additional parcel of land that was now on the market. The university has completed the purchase of the parcels on Ben Wilson Drive; but this parcel is located on the south-side of Red River Road and administration has requested up to \$400,000 in authority in order to acquire this 1.34 acres of land. A brief discussion followed.

On motion of Regent Wilson, Jr., seconded by Regent Taaffe, and by a unanimous vote of the regents in attendance, the request to delegate authority to the Chancellor to negotiate and execute contracts for purchase of land by the University of Houston-Victoria was approved.

Dr. Carlucci presented the next action item, Item N, Approval is requested to delegate authority to the Chancellor to negotiate and execute insurance policies for Fiscal Year 2014-2015 – University of Houston System.

The UH System insurance policies are renewed annually and The State Office of Risk Management (SORM) administers the Property, Directors & Officers / Employment Practices / Educators Legal Liability and Automobile insurance programs; and other policies are administered by the UH Risk Management department. The FY2013 annualized insurance expense is approximately \$4.9 million and this request is to seek a delegation of authority to the Chancellor to negotiate insurance coverage terms and purchase insurance policies in an amount not to exceed \$5.5 million for FY2014.

On motion of Regent Taaffe, seconded by Regent Wilson, Jr., and by a unanimous vote of the regents in attendance, the request to delegate authority to the Chancellor to negotiate and execute contracts for purchase of land by the University of Houston-Victoria was approved.

The next action item, Item O, requesting the Approval to delegate authority to the Chancellor to negotiate and execute a contract for financial advisory and arbitrage rebate compliance services for the University of Houston System – University of Houston System was presented by Dr. Carlucci.

Dr. Carlucci stated an advisor is hired for the university's bond issues and they assist in managing our bond issuances. This action item is requested so that the university can competitively bid these services through a Request for Proposal (RFP) which will be electronically communicated to the marketplace through a posting to the State of Texas Electronic State Business Daily website. This contract will be for a five (5) year period. The estimated aggregate cost is not to exceed \$600,000 based on assumptions as to debt issuance activity over the five-year contract.

On motion of Regent Taaffe, seconded by Regent Wilson, Jr., and by a unanimous vote of the regents in attendance, the request to delegate authority to the Chancellor to negotiate and execute a contract for financial advisory and arbitrage rebate compliance services for the University of Houston System was approved.

University of Houston System

The following action item on the agenda, Item P, requested Approval to write off Accounts and Notes Receivables for FY2013 – University of Houston System.

Dr. Carlucci stated this was an annual process whereby the university requests approval of the board to write-off accounts and notes receivable, basically bad debt. The university does continue to try to collect this debt. A table reflecting the total amount of write-off accounts and notes receivable was presented and totaled \$9,554,164 for the UH System. The majority of the write-off was for student debt; and in FY2013 this total was a slightly larger number. The university used to write-off 50% of student aid when a student received all “Fs,” and the university has received a ruling from the State Auditor’s Office stating that the university is supposed to write-off 100% of that debt. This amount goes back five (5) years; therefore the university is writing-off five (5) years of debt that the auditors stated should have been written-off.

On motion of Regent Taaffe, seconded by Regent Wilson, Jr., and by a unanimous vote of the regents in attendance, the request to write-off accounts and notes receivable for FY2013 was approved.

The final action item for the committee’s consideration was Item Q, the Approval is requested to modify the banking resolution governing the University of Houston-Downtown operating account at Bank of America – University of Houston System.

Dr. Carlucci presented this item requesting approval to modify the banking resolution governing the University of Houston-Downtown operating account at Bank of America due to a personnel change.

On motion of Regent Wilson, Jr., seconded by Regent Taaffe, and by a unanimous vote of the regents in attendance, the request to modify the banking resolution governing the University of Houston-Downtown operating account at Bank of America was approved.

At the conclusion of the presentation of this item, Regent Armour requested a motion to move the following 11 action items to the Board of Regents’ Consent Docket Agenda for final Board approval at the Board of Regents’ meeting later today, February 26, 2014.

On motion of Regent Taaffe, seconded by Regent Wilson, Jr., and by a unanimous vote of the members in attendance, the following 11 items will be placed on the Board of Regents’ Consent Docket Agenda for final Board approval. They are as follows:

1. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for the re-construction of Building 1A located on the University of Houston Energy Research Park Campus – University of Houston;
2. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for the build-out of Building 5 located at the University of Houston Energy Research Park – University of Houston;

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3. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for design and construction of the new Basketball Practice Facility at the University of Houston – University of Houston;
4. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for design and construction of Girard Street Parking Garage and Welcome Center at the University of Houston-Downtown – University of Houston-Downtown;
5. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for the sale of the University of Houston real properties acquired through gifts and to use local brokers as needed – University of Houston System;
6. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts associated with the sale of land by the University of Houston System to the Houston Parks Board – University of Houston System;
7. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for purchase of land by the University of Houston-Victoria – University of Houston-Victoria;
8. Approval is requested to delegate authority to the Chancellor to negotiate and execute insurance policies for Fiscal Year 2014 – University of Houston System
9. Approval is requested to delegate authority to the Chancellor to negotiate and execute a contract for financial advisory and arbitrage rebate compliance services for the University of Houston System – University of Houston System;
10. Approval is requested to write off Accounts and Notes Receivables for FY2013 – University of Houston System; and
11. Approval is requested to modify the banking resolution governing the University of Houston-Downtown operating account at Bank of America – University of Houston System.

Information Item(s):

There were two (2) items presented to the committee for information only. The first information item addressed was Item R, Presentation of the Fiscal Year 2013 University of Houston System Historically Underutilized Business (HUB) Expenditure Summary – University of Houston System.

Dr. Carlucci presented a powerpoint presentation on the University of Houston FY2013 HUB Expenditures. At the end of the fiscal year, the Texas Comptroller produces a report on the university's HUB purchases. This report is completed for all state agencies. A letter is submitted to the Chairman of the Board of the UH System indicating the results of this report for each fiscal year.

The Office of Comptroller of Public Accounts (CPA) manages the report, certifies the vendors and collects the data by all state agencies. The database includes the total dollar amount of contracts awarded to HUB and non-HUB vendors in certain procurement categories; the percent of total expenditures awarded to HUB and non-HUB vendors; and certified HUB vendor groups.

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The top 25 agencies by total expenditures for FY2013 were addressed and the University of Houston ranked No. 9 on the list with total expenditures of \$310,835,987.14; total HUB expenditures of \$67,639,122.02; and HUB percent of expenditures 21.76%.

The elements of the CPA HUB report were addressed as follows:

1. Certified HUB Vendor Group

- Asian Pacific
- Black
- Hispanic
- Native American
- Women
- Disabled Veteran (added FY2014)

The CPA tracks the percent of HUB expenditures awarded to HUB groups and a slide was presented which showed how all Texas agencies compared to the University of Houston.

2. Procurement Category

- Heavy Construction (roads, bridges)
- Building Construction (construction and major renovation)
- Special Trade (maintenance and repairs)
- Professional Services (accountants, architects, engineers)
- Other Services (insurance, food service, library subscriptions)
- Commodity Purchasing (equipment, supplies, furniture)

The University of Houston has the same HUB goals at the State, except for heavy construction (roads, bridges).

The breakdown for the University of Houston FY2013 HUB expenditures by category was addressed as follows:

• Building Construction	- \$39,973,718
• Special Trade	- \$6,492,557
• Professional Services	- \$906,833
• Other Service	- \$5,810,970
• Commodity Purchasing	- <u>\$14,455,041</u>
Total HUB Expenditures	\$67,639,122

The University of Houston outperformed State goals in 4 of 5 procurement categories as follows:

1. Building Construction
2. Special Trade
3. Professional Services
4. Commodity Purchasing

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

The last item listed on the agenda for information only was Item Q, a Presentation of the Fiscal Year 2013 University of Houston System Annual Financial Report Summary.

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Dr. Carlucci introduced this item which was a presentation of our Annual Financial Report (AFR) and the results of our operations for FY2013. Mr. David Ellis, Executive Director of Financial Reporting was in attendance to answer any questions. The summary of the AFR was presented which was a modified version to reflect the budget – the statement of our net worth for the year completed and the inventory of all of our assets. No capital was listed in the chart shown.

The timeline for the AFR was addressed. Below is the FY2013 AFR timeline for reference:

- Fiscal year ends on August 31;
- Department accounting activity completed by September 20;
- Ledger closed and preliminary management review completed – October 25;
- Senior Management reviews begin October 31;
- AFR submitted to State Comptroller and State Auditor – November 20;
- Financial results for all UH System presented to the Board of Regents – February 26; and
- Statewide comprehensive audit completed February 28.

UH System Combined FY2013 Results of Operations was outlined by Dr. Carlucci and below is a brief summary of his remarks.

- Revenue is incoming cash for operations which totaled \$1,334.3 million.
- Expenses totaled \$1,218.4 million which excluded construction spending.

UH System Combined Analysis of Revenues – FY2010-FY2013 (\$ Millions) was shown and a breakdown of revenue by source was discussed. The FY2013 budget was \$1,247.2 million and the FY2013 actual was \$1,334.3.

- State Appropriations had decreased slightly due to reductions in the State Appropriations.
- HEAF Appropriations will be steady for a period of five (5) years.
- Tuition & Fees is largely driven by enrollment; and this was a combined statement and reflected the enrollment for all campuses as well as their tuition and fees collection.
- Other Operating and/or Auxiliaries which is all of our support organizations as well as our interest income.
- Contracts and Grants which includes our sponsored funds as well as our Federal funds for financial aid.
- Endowment/Gifts.

UH System Combined Analysis of Operating Expenses – FY2010-FY2013 (\$ Millions) was shown and a breakdown of operating expenses was addressed. The FY2013 budget was \$1,247.2 and the FY2013 actual budget was \$1,218.4.

- Student Access and Success – The difference in spending is due to disbursement of additional financial aid funds. Growth in enrollment will bring in more financial aid which will then be disbursed to students.
- National Competitiveness – The difference between the budget and spending was due to the delay in receipt of funds in the prior year that are now currently showing.
- Infrastructure and Administration – This is debt service and is included as an expense.

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- Community Advancement is largely our radio and TV stations as well as the Small Business Development Center.

This is all categorized by NACUBO, the National Association of College and University Business Officers; the university follows this in order to make national comparisons.

UH System Combined Analysis of Asset Balances for FY2010-FY2013 as of August 31, 2013 (\$ Millions) was addressed. This is the statement of assets and a part of the balance sheet. The actual total assets for FY2013 were \$3,612.3.

Assets

- Cash, Appropriations and Investments which includes the Endowment
- Capital Assets, Net of Depreciation consisting of Land, Construction in Progress; Buildings, Facilities, Infrastructure; Equipment, Software, Art, Books, etc.
- Other Assets – consisting of Receivables (student, loans & gifts); Prepaid Expenses; Assets held by other UHS components; Inventories and Deferred Charges.

UH System Combined Analysis of Liability Balances and Equity Balances for FY2010-FY2013 as of August 31, 2013 (\$ Millions) was addressed. The actual total of liabilities for FY2013 was \$2,077; and the actual total equity balance was \$1,535.3.

Liabilities

- Payables and Accrued Liabilities consisting of Accounts Payable and Accruals; and Payroll Payable.
- Bonds & Long Term Obligations.
- Other Liabilities which consist of Deferred Revenue; Deposits held for others; Assets held for UHS components; and Other Commitments.

This item was for information only and required no committee action. A copy of this presentation has been filed in the Board office.

There was no Executive Session held.

There being no further business to come before the committee the meeting adjourned at 12:23 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
Paula Myrick Short
Dona Cornell

Mike Glisson
Raymond Bartlett
Tom Ehardt
Craig Ness

Michelle Dotter
Willie Munson
Emily Messa
Ed Hugetz

University of Houston System

Rathindra Bose
Eloise Dunn Stuhr
Elwyn Lee
Richard Walker
Philip Castille
William Flores
William Staples
Richard Bonnin
Maria Elena Soliña
Margie Hattenbach
Trent Williams
Alfonso Cervantes
Jon Aldrich
Brenda Robles

Mike Emery
Rani Ramichandani
Mike Emery
Moses Olykoya
Carl Stockton
Mack Rhoades
Charles Holston
Wayne Beran
Jonathan Thurston
David Ellis
Mark Clarke
Joe Brueggeman
Brandon Alexander
Marquette Hobbs

Cedric Bandoh
Sean York
Valerie Coleman-Ferguson
Shannon Harrison
Dan Maxwell
Oscar Gutierrez
Eno-Oblong Udoh
Jeffrey Cass
Mark Yzaguirre
Phil Booth
David Bradley
Don Price
Brian Thomas
Gerry Mathisen