

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

Thursday, May 21, 2015 – The members of the Finance and Administration Committee of the University of Houston System convened at 1:04 p.m. on Thursday, May 21, 2015 at the Hilton University of Houston, Conrad Hilton Ballroom, Second Floor, 4800 Calhoun Road, Houston, Texas, with the following members participating:

ATTENDANCE –

Present

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

Non-Member(s) Present

Durga D. Agrawal, Regent
Beth Madison, Regent
Paula M. Mendoza, Regent
Roger F. Welder, Regent
Asit R. Shah, 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 Finance and Administration Committee meeting:

1. February 19, 2015, Finance and Administration Committee Meeting

AGENDA ITEMS

Action Items:

1. Approval of Minutes – Item B

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

- February 19, 2015, Finance and Administration Committee Meeting

Regent Armour stated the committee would be presented eight (8) action items for consideration and approval at the meeting. The first action item on the agenda was Item C; and Regent Armour requested Mr. Jim McShan, Interim Vice Chancellor for Administration and Finance present this item.

University of Houston System

1. Approval is requested to delegate authority to the Chancellor to negotiate and execute a space lease for University of Houston-Clear Lake at 2151 Holcombe – University of Houston System, Item C – F&A-C.

Mr. McShan stated the first action item presented was requesting the approval to delegate authority to the Chancellor to negotiate and execute a space lease for University of Houston-Clear Lake (“UHCL”) at 2151 Holcombe. UHCL currently has a Health Care Administration program that is housed in 11,000+ square feet in this facility. The lease expires in December 2015 and they would like to add approximately 1,800 square feet to the lease which would create a new 48-seat classroom and new faculty offices. They would also like to extend the lease for two (2), 5-year periods (one 5-year period with an option to renew for another 5 years). The rate for the first 5-years would be \$20.00 a square foot plus \$7.50 a square foot for maintenance; and for the 6-10-years rate it would be \$22.00 a square foot plus \$7.50 a square foot for the maintenance.

Regent Wilson, Jr. stated that they might want to add a “right of first refusal on any space that might become available on that floor during the term of the agreement that they would have to offer it to the university.”

On motion of Regent Wilson, Jr., seconded by Regent Hollingsworth, and by a unanimous vote of the members in attendance, the request to delegate authority to the Chancellor to negotiate and execute a space lease for University of Houston-Clear Lake at 2151 Holcombe – University of Houston System was approved.

2. Approval is requested to delegate authority to the Chancellor to take all actions precedent to the acceptance of a gift of land from the City of Pearland for the construction of additional educational facilities and to amend the campus master plan accordingly – University of Houston-Clear Lake, Item D – F&A-D.

Mr. McShan introduced this item. UHCL’s location at the Pearland campus will receive 14 acres from the City of Pearland contingent upon the Tuition Revenue Bonds (TRBs) being approved by the State.

Dr. William Staples, President of UHCL addressed the schematic (“Exhibit A”) of the entire property and gave a brief background of this land. There is basically 40 acres of land. The UHCL Pearland campus was opened in 2010; and it is on City of Pearland property. The City of Pearland built the first building (the only building presently there) which is approximately 30,000 square feet. UHCL is using approximately 23,000 square feet of this facility. The Pearland Economic Development Corporation occupies the remaining 7,000 square feet at the other end of the building which UHCL is very pleased to have as a co-habitant of the area. UHCL has been working with the Mayor of Pearland, Tom Reed and the Pearland City Council to acquire the land upon receiving the TRBs. The title of this land will actually go to the UH System. Currently, we are anticipating approximately \$24,000,000 in TRBs for the Pearland campus. The plan is to build a Health Sciences Classroom Building. In the Fall of 2018, UHCL could potentially go downward expansion in Pearland and add freshman and sophomores.

University of Houston System

On motion of Regent Hollingsworth, seconded by Regent Wilson, Jr., and by a unanimous vote of the members in attendance, the request to delegate authority to the Chancellor to take all actions precedent to the acceptance of a gift of land from the City of Pearland for the construction of additional educational facilities and to amend the campus master plan accordingly – University of Houston-Clear Lake was approved.

3. Approval is requested to delegate authority to the Chancellor to negotiate and execute a contract for the consolidation of software maintenance contracts for the University of Houston System – University of Houston System, Item E – F&A-E.

Mr. McShan presented this item to the committee. Currently the UH System has 20 different contracts with Oracle, a few of which are major ones, such as the PeopleSoft System, Enterprise Resource System and Hyperion. Oracle will put these agreements on the same payment schedule. This will allow the UH System to issue only one purchase order for all 20 contracts and make four (4) quarterly payments instead of issuing 20 POs with 80 quarterly payments per year. Oracle will also freeze current maintenance prices for five (5) years beginning November 1, 2015. Since Oracle maintenance contracts allow for an annual price increase of up to 4%, avoiding future price escalations allows the UH System to avoid up to \$854,000 of costs over this five (5) year period.

On motion of Regent Wilson, Jr., seconded by Regent Hollingsworth, and by a unanimous vote of the members in attendance, the request to delegate authority to the Chancellor to negotiate and execute a contract for the consolidation of software maintenance contracts for the University of Houston System was approved.

4. Approval is requested to delegate authority to the Chancellor to negotiate and execute a contract for outsourcing underwriting and sponsorships for Houston Public Media – University of Houston, Item F – F&A-F.

Mr. McShan introduced this item to the committee and asked Ms. Lisa Shumate, Associate Vice President for Houston Public Media to address this item. Ms. Shumate stated that underwriting and sponsorships represent approximately 20% of Houston Public Media's revenue. It was determined that in order to reach their 5-year plan, they would need to ramp up and add seven (7) additional account executives and an underwriting sales manager. The cost to do so would be approximately \$1.2 - \$1.4 million per year. There is also the hidden cost of performance management which can negatively impact results if there is a lot of turnover.

The industry has an expert in this area called Market Engineuity. By outsourcing to Market Engineuity, the cost would be the same in terms of its 26% cost of sale and they take over all of the functions that are necessary to meet our goals, e.g., recruiting, inventory management, performance management, thereby allowing us to focus on our mission. They are working with other university licensees in Austin, as well as Wisconsin, the University of Missouri and Miami University; as community licensees in major markets like Houston such as Dallas, Los Angeles, the State-wide System of Georgia Public Broadcasting, and Minneapolis.

University of Houston System

A Request for Proposal (“RFP”) was put out for bid and Media Engenuity is an industry expert for public media and we have the best price available to stations in the Public Media System.

On motion of Regent Wilson, Jr., seconded by Regent Hollingsworth, and by a unanimous vote of the members in attendance, the request to delegate authority to the Chancellor to negotiate and execute a contract for outsourcing underwriting and sponsorships for Houston Public Media – University of Houston was approved.

5. Approval is requested to delegate authority to the Chancellor to negotiate and execute a modification to the food services contracts for the University of Houston-Clear Lake and University of Houston-Downtown – University of Houston System, Item G – F&A-G.

Mr. McShan presented this item to the committee and stated UH-Clear Lake’s (“UHCL”) and UH-Downtown’s (“UHD”) current contract with Aramark will expire at the end of August 2015. They would like to extend their contract for one (1) year through July 2016; and begin the process of working together as a group to see if they might be able to get a better deal with Aramark, Sedesco, or Chartwells (the three (3) primary food providers in the country) or anyone else who might arise. The current term for their contracts was for 10 years. During this one (1) year extension, UHCL and UHD plan to work together to develop a Food Service Operations, Request for Proposal (RFP), to seek a consolidated bid that would be of benefit to both campuses. The timeline for the RFP process will be established so as to be ready to present a new contract for Food Service Operations at UHCL and UHD in February 2016. A brief discussion followed.

On motion of Regent Hollingsworth, seconded by Regent Wilson, Jr., and by a unanimous vote of the members in attendance, the request to delegate authority to the Chancellor to negotiate and execute a modification to the food services contracts for the University of Houston-Clear Lake and University of Houston-Downtown – University of Houston System was approved.

6. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts associated with the lease of space at Building 8 in the UH Energy Research Park – University of Houston, Item H – F&A-H.

Mr. McShan presented this item to the committee and stated that currently Mayer Electric’s current lease term was January 1, 2015-March 31, 2023 for 74,818 square feet; and they are requesting to increase the amount of space by 27,702 for a total leased square footage of 102,520 square feet. Since this had not been brought to the Board in February 2015 for approval of the initial lease of the approximate 75,000 square feet of space, it was requested we ratify the initial lease and then add the additional space to that lease. The lease has been signed so this request was for a ratification of the lease with the additional 27,702 square feet added to it. A discussion followed.

On motion of Regent Wilson, Jr., seconded by Regent Taaffe, and by a unanimous vote of the members in attendance, the request to delegate authority to the Chancellor to ratify and amend

the contracts associated with the lease of space at Building 8 in the UH Energy Research Park – University of Houston was approved.

7. Approval is requested for the UH Texas Center for Superconductivity to purchase a specially-designed molecular beam epitaxy system – University of Houston, Item I – F&A-I.

Mr. McShan presented this item requesting approval for the UH Texas Center for Superconductivity (“TcSUH”) to purchase a specially-designed molecular beam epitaxy system. The Texas Center for Superconductivity received a grant from the U.S. Air Force for approximately \$850,000; and of this amount, \$600,000 was being used for the purchase of this equipment and another \$900,000 from the TcSUH Endowment will be used towards it as well. This system will be the only piece of equipment of this type in the world. The capability of this equipment is critical to their ongoing and forthcoming U.S. Air Force Office of Scientific Research grants to look for new and better superconductors. Mr. McShan introduced Dr. Ramanan Krishnamoorti, Interim Vice Chancellor for Research and Technology Transfer, to address this item further.

Dr. Krishnamoorti mentioned that superconductivity was born at the University of Houston and it is going to the next generation with the second generation superconductivity manufacturing that is ongoing at the Energy Research Park. One offshoot of this is finding ways to actually capture a power in applications like breaking. A brief discussion followed.

On motion of Regent Taaffe, seconded by Regent Hollingsworth, and by a unanimous vote of the members in attendance, the request for the UH Texas Center for Superconductivity to purchase a specially-designed molecular beam epitaxy system was approved.

8. Approval is requested to modify all banking resolutions for the University of Houston System, Item J – F&A-J.

Mr. McShan presented this item and stated this item was simply a housekeeping item with the banks giving Mr. McShan, Interim Vice Chancellor of Administration and Finance, the authorization to sign bank documents and removes the former Vice Chancellor from the list of authorized signers.

On motion of Regent Hollingsworth, seconded by Regent Taaffe, and by a unanimous vote of the members in attendance, the request to modify all banking resolutions for the University of Houston System was approved.

At the conclusion of the approval of the last action item presented, Regent Armour called for a motion to place all eight (8) action items presented to the committee on the Board of Regents’ Consent Docket Agenda for final Board approval at the Board of Regents meeting scheduled for later today, Thursday, May 21, 2015.

On motion of Regent Hollingsworth, seconded by Regent Taaffe, and by a unanimous vote of the committee members present, the following eight (8) action items will be placed on the

University of Houston System

Board of Regents' Consent Docket Agenda for final approval at the May 21, 2015 Board meeting as listed below.

1. Approval is requested to delegate authority to the Chancellor to negotiate and execute a space lease for University of Houston-Clear Lake at 2151 Holcombe – UH System;
2. Approval is requested to delegate authority to the Chancellor to take all actions precedent to the acceptance of a gift of land from the City of Pearland for the construction of additional educational facilities and to amend the campus master plan accordingly – UH-Clear Lake;
3. Approval is requested to delegate authority to the Chancellor to negotiate and execute a contract for the consolidation of software maintenance contracts for the University of Houston System – UH System;
4. Approval is requested to delegate authority to the Chancellor to negotiate and execute a contract for outsourcing underwriting and sponsorships for Houston Public Media – University of Houston;
5. Approval is requested to delegate authority to the Chancellor to negotiate and execute a modification to the food services contracts for the University of Houston-Clear Lake and University of Houston-Downtown – UH System;
6. Approval is requested to delegate authority to the Chancellor to ratify and amend the contracts associated with the lease of space at Building 8 in the UH Energy Research Park – University of Houston;
7. Approval for the UH Texas Center for Superconductivity to purchase a specially-designed molecular beam epitaxy system – University of Houston; and
8. Approval is requested to modify all banking resolutions for the University of Houston System – UH System.

There was no Executive Session held.

There being no further business to come before the committee the meeting adjourned at 1:40 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
Jim McShan
Paula Myrick Short
Dona Cornell
Ramanan Krishnamoorti
Elwyn Lee
Jason Smith

Wayne Beran
Dennis Fouty
Valerie Coleman-Ferguson
Emily Messa
David Bradley
Mark Clarke
Fred McGhee

Carl Stockton
Raymond Bartlett
Mike Glisson
Dick Phillips
Sabrina Hassumani
Katie Brown
Mark Yzaguirre

University of Houston System

Others Present (cont'd):

Eloise Dunn Stuhr
Richard Walker
William Flores
William Staples
Raymond V. Morgan
Sandra Dahlke
Chris Stanich
Ben Aldrich
Don Price
Gerry Mathisen

Don Guyton
Nick Bowen
Shannon Harrison
Tiffany Melchers
Ed Hugetz
Russ Hoskins
Dan Wells
Jon Aldrich
Brenda Robles

Abner Fletcher
Joe Brueggman
Phil Booth
Bernd Lorenz
Ben Wermund
Dana Rooks
Lisa Shumate
Brian Thomas
Marquette Hobbs