

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

August 11, 2009

The Chair of the Committee, Calvin W. Stephens, convened the meeting of the Finance and Administration Committee of the University of Houston System Board of Regents in the Melcher Board Room 100B, Athletics/Alumni Center, University of Houston, 3100 Cullen Blvd, Houston, Texas, at 8:45 a.m. on Tuesday, August 11, 2009, with the following members present: Dennis D. Golden, O.D., Jacob M. Monty, and Welcome W. Wilson, Sr., Ex Officio.

Regent Stephens stated 19 would be presented to the committee, 18 of which required committee approval. There was one information item. Regent Stephens introduced Dr. Carl Carlucci, who addressed the committee and introduced the following action items which were considered by the committee.

Action Items

1. Approval is requested for the University of Houston System FY 2010 Plan and Budget - UH System

Dr. Carlucci requested approval for the FY2010 Plan and Budget. Annual plans plus revenue and expenditure budgets were presented for all university components for the period September 2009 through August 2010. The budget for the UH System includes operating, restricted and capital facilities budgets for the University of Houston, UH-Downtown, UH-Clear Lake, UH-Victoria, and UH System Administration. The total budget was \$1.3 billion.

A powerpoint presentation was given to the Board. The total budget was \$1.3 billion, up from last year's budget of \$1.249 billion, an increase of 4%. The total sources, which include HEAF, are similar from last year. The uses are approximately the same proportions of last year with the biggest portions being in Student Success.

The UH System Combined FY2010 Budget – Total Sources (\$ Million) is outlined below for reference:

	State <u>Appropriations</u>	HEAF	Tuition & Fees	Other <u>Operating</u>	Contracts & Grants	Endow/ <u>Gifts</u>	Capital <u>Funds</u>	<u>Total</u>
University of Houston	\$199	\$36	\$303	\$101	\$164	\$25	\$168	\$997
UH-Clear Lake	38	5	42	4	7	1	9	105
UH-Downtown	36	10	54	8	24	5	--	137
UH-Victoria	21	2	15	4	3	--	6	50
UHS Administration	4	--	--	9	--	--	--	13
Total	\$297	\$53	\$414	\$127	\$198	\$30	\$182	\$1,302
	23%	4%	32%	10%	15%	2%	14%	

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The UH System Combined FY2010 Budget – Total Uses (\$ Million) is outlined below for reference:

	Student Access & Success	National Competitiveness	Infrastructure & Admin.	Community Advancement	Capital Construc.	Total
University of Houston	\$500	\$119	\$155	\$31	\$191	\$997
UH-Clear Lake	62	8	27	--	8	105
UH-Downtown	97	2	35	1	1	137
UH-Victoria	28	3	12	1	7	50
UHS Administration	4	1	8	--	--	13
Total	\$697	\$134	\$237	\$33	\$207	\$1,302
	53%	10%	18%	3%	16%	

Dr. Carlucci stated the UH System, FY2010 budget principles were to:

- Maintain a balance budget;
- Appropriate use of revenue, recurring vs. non-recurring revenues, restricted and unrestricted revenue;
- Focus expenditures on BOR priorities;
- Continue to invest in the growth and retention of faculty and staff; and
- Continue to invest in and maintain campus infrastructure, physical and electronic.

The New Sources and New Uses for the FY2010 budget were address. Below are the outlines on each for reference.

	State Appropriations	Tuition	Fees	Endow/ Interest Lost	Reallocs/ Other	Total
University of Houston	\$13.4	\$17.3	\$2.3	-\$9.0	\$6.8	\$30.8
UH-Clear Lake	2.3	1.7	0.5	-0.4	0.3	4.4
UH-Downtown	1.9	2.1	1.0	-0.2	1.6	6.4
UH-Victoria	1.1	1.2	0.3	-0.1	0.6	3.1
UHS Administration	0.2	--	--	-1.5	1.5	0.2
Total	\$19.0	\$22.2	\$4.1	-\$11.2	\$207	\$44.8
	42%	50%	8%	-25%	25%	

	Student Access & Success	National Tuition	Infrastructure & Admin.	Community Advancement	Total
University of Houston	\$16.9	\$9.4	\$4.2	\$0.3	\$30.8
UH-Clear Lake	2.9	0.1	1.4	--	4.4
UH-Downtown	4.2	0.2	1.4	0.6	6.4
UH-Victoria	2.4	--	0.7	--	3.1
UHS Administration	0.1	--	0.1	--	0.2
Total	\$26.5	\$9.7	\$7.6	\$0.9	\$44.8
	59%	22%	17%	2%	

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Dr. Carlucci also stated Chancellor Khator has asked for an additional 5 – 10 percent budget cut.

Regent Golden made a motion to approve this item as presented to the committee. Regent Monty seconded the motion, and the committee concurred. This item will be placed on the agenda for the August 18, 2009 Board of Regents meeting for final board approval.

2. Approval is requested to delegation authority to the Chancellor to negotiate and execute the on-site staffing contract with CORESTAFF Services for Univesity of Houston, University of Houston-Clear Lake, University of Houston-Downtown and University of Houston-Victoria – UH System

Dr. Carlucci requested approval to delegate authority to the Chancellor to negotiate and execute the on-site staffing contract with CORESTAFF Services upon agreement of the General Terms and Conditions. This contract currently expires in August 2009. An RFP was issued for this service in May 2009 and is in the process of re-negotiating its agreement with CORESTAFF Services. This vendor meets and/or exceeds the needs of the system across a full-range of job types.

Regent Monty made a motion to approve this item as presented to the committee. Regent Wilson seconded the motion, and the committee concurred. This item will be placed on the agenda for the August 18, 2009 Board of Regents meeting for final board approval.

3. Approval to renew investment resolutions for the University of Houston System – UH-System

Dr. Carlucci requested approval to renew the Resolution Governing the Sale, Assignment, Endorsement, Transfer, and Delivery of Gift Securities for any component of the UH System; the Resolution Governing the Purchase and Sale of Securities and Similar Investments for the UH System Endowment Fund; and the Resolution Governing the Purchase and Sale of Securities and Similar Investments for all Non-Endowed Funds of the UH System. No changes in persons were authorized to make investment decisions, however, the resolutions must be renewed semi-annually.

Regent Wilson made a motion to approve this item as presented to the committee. Regent Golden seconded the motion, and the committee concurred. This item will be placed on the agenda for the August 18, 2009 Board of Regents meeting for final board approval.

4. Approval is requested for delegation of authority to the Chancellor to negotiate and execute contracts associated with sale of 13 tracts of UH-owned land – University of Houston

Dr. Carlucci requested approval to delegate authority to the Chancellor to negotiate and execute contracts associated with the sale of 13 tracts of UH-owned land to METRO at fair market, appraised value, \$1,342,864 (\$15.29 s/f).

Regent Monty made a motion to approve this item as presented to the committee. Regent Golden seconded the motion, and the committee concurred. This item will be placed on the agenda for the August 18, 2009 Board of Regents meeting for final board approval.

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5. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts up to \$2.4 million for the renovation of property at 4902 Gulf Freeway, which is part of the Energy Research Park – University of Houston

Dr. Carlucci requested approval to delegate the authority to the Chancellor to negotiate and execute contracts up to \$2.4 million for the renovation of property at 4902 Gulf Freeway, which is part of the Energy Research Park. This property had been purchased some time ago. The total proposed project cost is \$2.4 million with the construction/renovation to be completed in January 2010.

Regent Wilson made a motion to approve this item as presented to the committee. Regent Golden seconded the motion, and the committee concurred. This item will be placed on the agenda for the August 18, 2009 Board of Regents meeting for final board approval.

6. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts up to \$20 million for Phase One of renovating University Business Park for the Energy Research Park to be funded through negotiated tenant improvements – University of Houston

Dr. Carlucci requested approval to delegate authority to the Chancellor to negotiate and execute contracts up to \$20 million for Phase One of renovating University Business Park for the Energy Research Park to be funded through negotiated tenant improvements. The total proposed budget cost is \$20 million with the final construction/renovations completed in August 2011. The University of Houston is currently negotiating with tenants who want space built out to their specifications in buildings at this location.

Regent Golden made a motion to approve this item as presented to the committee. Regent Monty seconded the motion, and the committee concurred. This item will be placed on the agenda for the August 18, 2009 Board of Regents meeting for final board approval.

7. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts up to \$20 million for infrastructure and site improvements to the University Business Park for the Energy Research Park – University of Houston

Dr. Carlucci requested approval to delegate authority to the Chancellor to negotiate and execute contracts up to \$20 million for infrastructure and site improvements to the University Business Park (UBP) for Energy Research Park. The total proposed budget cost is \$20 million with a construction/renovation completion date of August 2010. Chairman Wilson asked Dean Tedesco to come forward and discuss his strategic plan. Dr. Tedesco stated he had been promised resources to build his program which includes personnel and infrastructure. At this point he has neither; however, with the acquisition of the Energy Research Park this solves the infrastructure problem. He would now aggressively recruit personnel and researchers to staff this facility.

Regent Wilson made a motion to approve this item as presented to the committee. Regent Golden seconded the motion, and the committee concurred. This item will be placed on the agenda for the August 18, 2009 Board of Regents meeting for final board approval.

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8. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts up to \$12 million for the third phase of SERC Laboratory Build-out – University of Houston

Dr. Carlucci requested approval to delegate authority to the Chancellor to negotiate and execute contracts up to \$12 million for constructing the third phase of the SERC Laboratory Build-out. This phase would include HVAC upgrades serving the entire building, finishing out the east portion of fifth and third floors, design of the remaining unfinished space and additional construction as funds allow. The proposed project cost is \$12 million with Phase III construction ending June 2011.

Regent Wilson made a motion to approve this item as presented to the committee. Regent Golden seconded the motion, and the committee concurred. This item will be placed on the agenda for the August 18, 2009 Board of Regents meeting for final board approval.

9. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts up to \$26 million for the construction of Stadium Parking Garage #1 – University of Houston

Dr. Carlucci requested approval to delegate authority to the Chancellor to negotiate and execute contracts up to \$26 million for the construction of a 2,000-2,400 car garage with 10,000 sf of mixed use development near the stadium. The proposed project cost is \$26 million with the building construction completed in July 2011.

Regent Wilson made a motion to approve this item as presented to the committee. Regent Golden seconded the motion, and the committee concurred. This item will be placed on the agenda for the August 18, 2009 Board of Regents meeting for final board approval.

10. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts up to \$70 million for the construction of the Health and Biomedical Sciences Center (formerly known as the Optometry addition) – University of Houston

Dr. Carlucci requested approval to delegate authority to the Chancellor to negotiate and execute contracts up to \$70 million for the construction of the Health and Biomedical Sciences Center (formerly the Optometry addition). A 6 story building with 2 of the floors as shell space would be constructed in the first phase of the project. These floors will be finished later as a separate project as grants and other funds become available. This building will consist of 84,000 ASF/167,000 GSF. The proposed project budget is \$70 million with construction substantially completed in May 2012.

Regent Golden made a motion to approve this item as presented to the committee. Regent Wilson seconded the motion, and the committee concurred. This item will be placed on the agenda for the August 18, 2009 Board of Regents meeting for final board approval.

11. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts up to \$31 million for the construction of the Classroom and Business Building (formerly known as the Bauer Business Building III) – University of Houston

Dr. Carlucci requested approval to delegate authority to the Chancellor to negotiate and execute contracts up to \$31 million for the construction of the Classroom and Business

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Building (formerly the Bauer Business Building III addition). The first phase of this project constructs a 4 story building with 2 of the floors as shell space. These floors will be finished later as separate project as gifts and other funds become available. This project would consist of 73,000 ASF/112,000 GSF. The proposed project budget is \$31 million with construction substantially completed in December 2011.

Regent Wilson made a motion to approve this item as presented to the committee. Regent Monty seconded the motion, and the committee concurred. This item will be placed on the agenda for the August 18, 2009 Board of Regents meeting for final board approval.

12. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts up to \$2.8 million for the constructing an addition to the UH Jack J. Valenti School of Communication – University of Houston

Dr. Carlucci requested approval to delegate authority to the Chancellor to negotiate and execute contracts up to \$2.8 million for the constructing a 4,875 ASF/6,520 GSF addition to the Jack J. Valenti School of Communication. The proposed project cost is \$2.8 million and the proposed building construction would be completed in August 2010.

Regent Golden made a motion to approve this item as presented to the committee. Regent Wilson seconded the motion, and the committee concurred. This item will be placed on the agenda for the August 18, 2009 Board of Regents meeting for final board approval.

13. Re-approval of Renovation of the University of Houston Hilton and to delegate authority to the Chancellor to negotiate and execute contracts up to \$13,611,000 associated with renovation of the Hilton Hotel – University of Houston

Dr. Carlucci requested re-approval of the renovation of the UH Hilton and to delegate authority to the Chancellor to negotiate and execute contracts up to \$13,611,000 associated with this renovation. The board had previously approved this project in September 2007. It is on schedule and the project scope and budget remains unchanged. However, in conjunction with this renovation, a series of other related projects have been or will be undertaken. These additional projects include the Massad Library renovation, IT improvements, Curtain Wall and related expanded room upgrades, HVAC and Building Control modernizations, new parking control and minor maintenance items. The majority of the funds come from the private sector; \$2 million in gifts; and the remainder will be from the UH Hilton. Over the last 40 years, the Hilton family has donated over \$60 million. The proposed project budget is \$13,611,000 with the renovation project completed in June 2010.

Regent Wilson made a motion to approve this item as presented to the committee. Regent Golden seconded the motion, and the committee concurred. This item will be placed on the agenda for the August 18, 2009 Board of Regents meeting for final board approval.

14. Re-approval of and to delegation authority to the Chancellor to negotiate and execute contracts up to \$39,268,000 associated with the University of Houston-Downtown Academic Building and Parking Structure and Associated Additional Projects – UH – Downtown

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Dr. Carlucci requested re-approval of and delegation of authority to the Chancellor to negotiate and execute contracts associated with the UH-Downtown Academic Building and Parking Structure and Associated Additional Projects. The board had approved the project to construct the UH-Downtown Academic Building/Parking Structure in November 2006. That project was completed on schedule with the project scope unchanged. In conjunction with this building, a series of other related projects were undertaken which included additional furnishing, exterior improvements, landscaping, and IT improvements. The additional cost related to this project was \$2,638,000 which raises the project budget from \$36,630,000 to \$39,268,000.

Regent Wilson made a motion to approve this item as presented to the committee. Regent Golden seconded the motion, and the committee concurred. This item will be placed on the agenda for the August 18, 2009 Board of Regents meeting for final board approval.

15. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts associated with the relay communications tower at the University of Houston-Clear Lake

Dr. Carlucci requested approval to delegate authority to the Chancellor to negotiate and execute an agreement conveying: (1) a license of real property to the City of Houston of approximately 100 x 100 sf to construct and operate a 300-foot antenna tower and building structure and fencing; (2) an easement to provide access to electric and/or natural gas; (3) an easement to provide vehicular and pedestrian access to and from the antenna facility; and (4) a temporary construction easement to store equipment and materials during construction. This facility will enhance communications throughout the City of Houston, Harris County and the UH System for 24-hour public safety and welfare.

Regent Wilson made a motion to approve this item as presented to the committee. Regent Golden seconded the motion, and the committee concurred. This item will be placed on the agenda for the August 18, 2009 Board of Regents meeting for final board approval.

16. Approval is requested to delegate authority to the Chancellor to negotiate and execute a lease/operating agreement for space at University of Houston-Clear Lake to the Bay Area Houston Economic Partnership.

This item was pulled from the agenda.

17. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts up to \$5 million related to the purchase of a hotel and renovations for use as a residence hall and academic support space and for other University functions – UH-Victoria

Dr. Carlucci requested approval to the Chancellor to negotiate and execute contracts up to \$5 million related to the purchase of a hotel and renovations for use as a residence hall and academic support space for UH-Victoria. Dr. Tim Hudson, President of UH-Victoria, stated there were several properties being considered with potential to meet UHV requirements. One of the candidates is within 4 blocks of campus and contains up to 226

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rooms, meeting space, dining and related hotel facilities and parking. The other is within 2 miles of campus and contains up to 126 rooms, related hotel facilities and amenities and parking. Dr. Hudson gave a pro forma business plan which was based on the largest project and could be scaled back if the smaller facility were selected.

The financial plan he outlined stated \$750,000 would come from HEAF funds which would be allocated to student services and administrative space; \$4,250,000 from Auxiliary Revenue Bonds which would be allocated to residence hall – 5% on 20-year amortization with annual debt service of \$382,000. The debt service could be covered by net income after operating costs based on reasonable market based room rates, \$4,200/student on 9 month lease.

Regent Golden made a motion to approve this item as presented to the committee. Regent Monty seconded the motion, and the committee concurred. This item will be placed on the agenda for the August 18, 2009 Board of Regents meeting for final board approval.

18. Approval of Consolidated Revenue and Refunding Bonds, Series 2010A (Taxable); Approval of Consolidated Revenue and Refunding Bonds, Series 2010B (Direct Subsidy – Build America Bonds; Approval of Consolidated Revenue and Refunding Bonds, Series 2010C – UH System

Dr. Carlucci requested approval for these bonds which would be sold by competitive sale for new money and refunding purposes. Board approval was requested of the Twenty-Second Supplemental Resolution, the Preliminary Official Statement, and the Notice of Sale. The Series 2010A series will represent the taxable portion of University Business Park; Series 2010B will represent Build America Bonds (BABs) to the extent a lower rate (net of 35% interest subsidy) is achieved compared to the tax-exempt municipal market; and Series 2010C will represent tax-exempt bonds to the extent a lower rate is achieved in the tax-exempt market compared to the taxable BABs market (net of 35% interest subsidy).

Regent Golden made a motion to approve this item as presented to the committee. Regent Monty seconded the motion, and the committee concurred. This item will be placed on the agenda for the August 18, 2009 Board of Regents meeting for final board approval.

The final item on the agenda was for information only and required no action by the board.

Dr. Carlucci introduced the last item, Texas Higher Education Board Re-Approvals – University of Houston, which stated that project approval and re-approval requirements for the Texas Higher Education Coordinating Board (THECB) differ from the project approval and re-approval requirements of the Board of Regents. Because of this, there are a number of projects previously approved by the Board of Regents and the THECB which do not need re-approval from the Board of Regents but do need re-approval from the THECB. There were five projects which required CB re-approval: (1) Renovation of Science, Engineering, and Classroom Build-Out-Phase 2; (2) Construction of Graduate and Professional Student Housing – Calhoun Lofts; (3) Renovation of M.D. Anderson Library; (4) Renovation & Expansion of W.I. Dykes Library – Phase 1; and (5) Hurricane IKE Repairs.

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There being no further business to come before the committee, the meeting adjourned at 11:10 a.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:

Carl Carlucci
John Antel
Dona Cornell
Elwyn Lee
Tim Hudson
Michael Rierson
Bill Staples
Bill Flores
Joe Tedesco
Earl Smith
Katherine Peek
David Ellis
Molly Woods
Elaine Pearson
Gerry Mathisen

John Walsh
Dave Irvin
Wayne Beran
Raymond Bartlett
Barbara Stanley
Don Guyton
David Bradley
Allan Warner
Carl Stockton
Patrick McNeal
Mike Glisson
Margie Hattenbach
Malcolm Davis
Carla Kahn

Tom Ehardt
John Powell
Ed Hugetz
Dan Wells
Elaine Charlson
Craig Ness
Sue Davis Green
Oscar Gutierrez
Michelle Dotter
Jon Aldrich
Chris Hobza
Mike Emery
David Francis
Marquette Hobbs