

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

Wednesday, August 11, 2010 – The members of the Finance and Administration Committee of The University of Houston System convened at 8:45 a.m. on Wednesday, August 11, 2010, at the University of Houston, Athletics/Alumni Center, Melcher Board Room 100B, 3100 Cullen Boulevard, Houston, Texas, with the following members participating:

ATTENDANCE –

Present

Jim P. Wise, Chair  
Carroll Robertson Ray, Vice Chair  
Nandita V. Berry, Member  
Welcome W. Wilson, Sr., Ex Officio

In accordance with a notice being timely posted with the Secretary of State and there being a quorum present, Chair of the Committee, Jim P. Wise, called the meeting to order.

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AGENDA ITEMS

1. Approval of Minutes – Item B

On motion of Regent Ray, seconded by Regent Wilson and by a unanimous vote, the following minutes from the meeting listed below was approved:

- May 12, 2010, Finance and Administration Committee Meeting

After the committee meeting was called to order and the minutes approved, Chair of the Committee, Jim P. Wise, stated that two items would be taken out of order from the agenda and discussed by the committee: (1) Item F – F&A-4 and (2) Item J – F&A-8. Once these two items were addressed by the committee, the remaining items from the Finance and Administration Committee agenda were addressed.

2. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts up to \$44,200,00 for the design and construction of the University Center Addition (Phase I) and design of the existing University Center Transformation (Phase II) Project – University of Houston – Item F – F&A-4

Dr. Carlucci, Executive Vice Chancellor for Administration and Finance, requested approval for delegation of authority to the Chancellor to negotiate and execute contracts up to \$44,200,000 for the design and construction of the University Center Addition (Phase I) and design of the

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existing University Center Transformation (Phase II). This project will be completed in two phases. A history of this project reflects the work that has been done to date. The most important part from this committee's perspective was that the student fees that fund the debt that will support this project had been approved by the Student Government Association, the Legislature, and the UH System Board of Regents.

In summary, the University Center Addition – Phase I is a project not to exceed \$44,200,000. This includes the design of both phases and the construction. This project was conceptualized as a renovation of the existing building, but it was determined that it would be more cost effective to take the heavy infrastructure out of the current building and place it in the new addition.

The original cost of the project was \$100 million but the cost was reduced to approximately \$80 million due to the actual fee and the fee schedule and what it could produce in the current debt market, stated Dr. Carlucci.

The construction of Phase I will include approximately 100,000 GSF base building adjacent to the existing University Center and will be based on the new revenue collected from the fee. One-hundred percent of the bond issue will be dedicated to the project. The first bond issue will be \$40.3 million, modeled on a 25-year amortization, 5.9% interest rate. The revenue stream would be based on the \$50.00 increase in the University Center fee per student that was approved through the student body, the Legislature and the Board which will begin in Fall 2010, with a \$25.00 per student fee for summer semesters. The total fiscal year new revenue for Phase I would be \$3,896,050 based on the University Center fee less reserve for deferred maintenance. The program would include dining and food service, retail, student organization space, meeting rooms, and theater. Optional program space may include additional meeting space and ballroom and would take approximately 14 months to construct.

Prince Wilson, President of the Student Government Association (SGA), gave a brief history of the Student Referendum. There will be two different phases: the first phase will be the \$50.00 increase in Fall 2010 and can stand on its own; and the second phase is the \$50.00 increase which would be implemented in Fall 2012 subject to approval by the SGA and the Board of Regents (the Texas Legislature has approved up to a \$150.00 fee increase). In Fall 2012, bonds would be issued for Phase II (renovation of existing University Center) and contingent upon the second \$50.00 University Center fee being approved and the debt service paid from this fee increase. Mr. Wilson emphasized that the students will need more meeting rooms and space for student involvement.

Regent Wise reiterated that the committee should look at the entire project. The cost of Phase I and Phase II will total approximately \$80 million. Phase I will cost \$44.2 million leaving approximately \$36 million for the renovation of the University Center - Phase II. Regent Wise emphasized that should the committee approve this project, they would effectively be allocating dollars to the rehab and the maximum amount to the rehab of \$36 million. The committee concurred.

A complete copy of the presentation on the University Center Addition was filed in the Board office.

On motion of Regent Ray, seconded by Regent Berry and by a unanimous vote, the request to delegate authority to the Chancellor to negotiate and execute contracts with up to \$44,200,000 for the design and construction of the University Center Addition (Phase I) and design of the existing University Center Transformation (Phase II) Project was approved. This item will be placed on the August 17, 2010 Board of Regents agenda for final Board approval.

3. Approval is requested to delegate authority to the Chancellor to negotiate and execute an asset purchase agreement and a management agreement, up to \$10 million, related to the purchase of a radio station for use by KUHF – University of Houston – Item J F&A-8

Dr. Carlucci introduced this item and approval was requested to delegate authority to the Chancellor to negotiate and execute an asset purchase agreement up to \$10 million related to the purchase of a radio station for use by KUHF.

Dr. Carlucci summarized the financing of this item. It is an asset purchase for a radio station (KTRU-FM 91.7) owned by Rice University. KUHF is an auxiliary of the University of Houston and would purchase this entity with their own funds. The current radio station would become a full-time NPR news and information station while the new radio station would become a full-time classical music and fine arts station. Within the public broadcasting industry, the NPR news and information format and the classical music format are the two most successful in fundraising and audience building.

Two appraisals of the station were completed: (1) by Public Radio Capital and (2) by Satterfield & Perry. The appraised value of KTRU was \$12 million. The negotiated purchase price was \$9.5 million which includes the license and transmitter.

The business plan was addressed by Dr. Carlucci. Below is a brief summary of his remarks:

- KUHF will service 100% of the debt through its fundraising from the community.
- No state funds, University of Houston funds or tuition funds will be used in this transaction.
- An analysis was completed and showed that it will be revenue positive.
- Currently, KUHF mixed format of NPR news and classical music has approximately 390,000 listeners each week.
- The all-news KUHF station would have approximately 400,000 per week and the all-classical new KUHC station would have approximately 100,000.
- There would be two stations with one operating staff and together they would reach approximately 500,000 listeners each week or 10% of the greater Houston population. These projections are based on comparable case studies completed over time in major metropolitan areas around the country.
- Three scenarios were analyzed:
  - Base Case Scenario: Assumes modest growth in revenues and expenses, key revenue and expense assumptions similar to figures for comparable stations;
  - Best Base Scenario: Slightly higher penetration rates and higher fundraising revenues, reflects Houston KUHF history compared to the base case; and
  - Worst Case Scenario: Slightly lower penetration rates and lower fundraising revenues, based on the average for all stations in the class.

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- The results of these three case scenarios were:
  - Pro forma was \$9.8 million;
  - Bond issue amortized over 25 years at 5%; and
  - Sufficient to cover debt service under three sensitivity analyses.
- Mr. Ed Hugetz, Associate Vice Chancellor for Planning and Outreach and Mr. John Profitt, General Manager of KUHF, gave brief remarks to the committee. Mr. Profitt also presented a powerpoint presentation. Below is a brief summary of their remarks:
  - Only two of the top 25 markets do not have a full-time NPR news public radio station (Houston and Pittsburgh).
  - Only two of the top 25 markets do not have a full-time classical music public radio station (Houston and San Diego).
  - Houston is the only top 10 city that has neither a full-time NPR news nor a full-time classical station.
  - The acquisition of the second FM station would greatly increase community outreach, with a projected weekly audience of the two stations of 500,000 listeners – roughly 10% of the Houston metropolitan population.
  - The Core mission of public radio is a life-long learning commitment to the community.
  - Since 2009, KUHF has raised over \$59.7 million over a 22-year period.
  - The debt service is included in our general operating budget moving forward. If we were to move from a single station to two stations and double the amount of programming to Houston, the net budget increase would be approximately 13.29%.
  - There are no subsidies from the University of Houston.

Several issues were raised by the regents on this matter.

Regent Ray commented she would like to see reports that look at ways in which we can increase the partnership between the University of Houston and KUHF. She believes that KUHF has a non-profit mission that is fulfilling, but since it is located here that we can partner and that it can enhance the educational accomplishments of this university and we can benefit from each other. As a Board, we would also like to hear how the administration and KUHF are working together to make that happen, said Regent Ray.

Mr. Hugetz stated that Chancellor Khator had named a Task Force that concluded that four members of the Leadership of the Association for Community Broadcasting (Advisory Fundraising Group) as well as four members from the University of Houston System that will work with them to bring a report to the Chancellor on ways to improve the cooperation between KUHF and KUHT and the cooperation and partnership between these two stations and the University. Regent Ray requested that the committee hear this report when it has been finalized.

A copy of both powerpoint presentations were filed in the Board office.

After further discussion by the committee, on motion of Regent Ray, seconded by Regent Wilson and by the majority of the committee, approval to delegate authority to the Chancellor to negotiate and execute an asset purchase agreement and a management agreement, up to \$10 million, related to the purchase of a radio station for use by KUHF was approved. It should be noted that Regent Berry

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voted “No” on this issue as presented. This item will be placed on the August 17, 2010 Board of Regents agenda for final Board approval.

The remaining items from the Finance and Administration Committee agenda were introduced as follows:

4. Approval is requested to delegate authority to the Chancellor to negotiate and execute extension to the contract (K-09-003700) with Sempra Energy Solutions for providing electricity to all UHS components – University of Houston System – Item C – F&A-1

Dr. Carlucci requested authority be delegated to the Chancellor to negotiate and execute the extension to contract (K-09-00370) with Sempra Energy Solutions for providing electricity to all UHS components. The original contract is from April 1, 2009 to March 31, 2012 and the contract extension would be for 21 months until December 31, 2013.

Sempra Energy will also begin charging the University of Houston System a new lower fixed rate for electricity starting September 1, 2010 that is the weighted average of the previously contracted price through March 31, 2012 and the price of electricity for the extension period April 2012 through December 2013. The UH System will save an estimated \$700,000 through the original contract end date by extending the contract and paying a lower fixed price for electricity. This savings will offset the increased cost of electricity market changes beginning December 1, 2010, which is mandated by ERCOT.

Sempra will continue to honor its contractual commitment to subcontracting at least 25% of the electricity provided to the UH System to a HUB subcontractor. It has already subcontracted 28% of the original UH System-contracted electricity to a HUB.

On motion of Regent Berry, seconded by Regent Ray and by a unanimous vote, the request to delegate authority to the Chancellor to negotiate and execute extension to the contract (K-09-003700) with Sempra Energy Solutions for providing electricity to all UHS components was approved. This item will be placed on the August 17, 2010 Board of Regents meeting agenda for final Board approval.

5. Approval is requested to delegate authority to the Chancellor to negotiate and execute an interlocal agreement with the Region VIII Education Service Center for the System – University of Houston System – Item D – F&A-2

Dr. Carlucci introduced this item to request delegation of authority to the Chancellor to negotiate and execute an interlocal agreement with the Region VIII Education Service Center for the UH System, which will provide cooperative purchasing services to the System through The Interlocal Purchasing System (TIPS) Program. This no-cost agreement, which is authorized under Texas Education Code 8.002 and Texas Government Code 791.001, automatically renews unless terminated by either party with 60 days written notice.

On motion of Regent Ray, seconded by Regent Berry and by a unanimous vote, the request to delegate authority to the Chancellor to negotiate and execute an interlocal agreement with the

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Region VIII Education Service Center for the System was approved. This item will be placed on the August 17, 2010 Board of Regents agenda for final Board approval.

6. Approval is requested to delegate authority to the Chancellor to create an alternative deferred compensation arrangement for certain employees under the Internal Revenue Code Section 415m – University of Houston System – Item E – F&A-3

This item requested a propose change to our deferred compensation program. We currently have a 457(f) program and it would be supplemented by a 415(m) program. Dr. Carlucci asked Dona Cornell, Legal Counsel for the UH System, to address this item before the committee. Ms. Cornell stated that the 415(m) program would provide a different way of paying out when a deferred compensation period occurs. Under the current 457(f) program, an individual vest at the end of the period and a taxable event then occurs at the end of the vesting period. Under the proposed 415(m) program, at the beginning of the vesting period an individual may chose to vest the payments over a period of time which would then allow the individual to not take the income until which time they are ready to do so. This proposed program would also provide some tax savings to the University.

On motion of Regent Ray, seconded by Regent Wilson and by a unanimous vote, the request to delegate authority to the Chancellor to create an alternative deferred compensation arrangement for certain employees under the Internal Revenue Code Section 415(m) for the University of Houston System was approved. This item will be placed on the August 17, 2010 Board of Regents agenda for final Board approval.

7. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts up to \$2,500,000 for the University of Houston Modular Office Park at the University of Houston Energy Research Park – University of Houston – Item G – F&A-5

Dr. Carlucci introduced this item which is a proposal related to additional office space in the University of Houston Energy Research Park. This 11,550 GSF facility will house general purpose offices with modular furniture systems, IT, rest rooms and other support systems. It will address the need for University swing space necessary in order to complete various University renovation projects but will first be used to relocate personnel while renovating Energy Research Park Buildings 2 and 3A.

On motion of Regent Berry, seconded by Regent Ray and by a unanimous vote, the request to delegate authority to the Chancellor to negotiate and execute contracts up to \$2,500,000 for the University of Houston Modular Office Park at the University of Houston Energy Research Park was approved. This item will be placed on the August 17, 2010 Board of Regents agenda for final Board approval.

8. Approval is requested to delegate authority to the Chancellor to negotiate and execute extension to the contact (K-07-00160) with Today's Business Solutions for providing office supplies to the University of Houston – University of Houston – Item H – F&A-6

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Dr. Carlucci requested approval to delegate authority to the Chancellor to negotiate and execute extension to the contract (K-07-00160) with Today's Business Solutions (TBS) for providing office supplies to the University of Houston. After a competitive process was completed, TBS was awarded a multi-year, 4-year contract. The original contract period was September 1, 2006 through August 31, 2010 with three one-year renewal options. This request is to exercise the first one-year renewal option by extending the contract to August 31, 2011. The University of Houston is expected to realize at least \$100,000 in product savings and contract rebates by extending the contract to August 31, 2011.

Mr. Mike Glisson, Executive Director of Finance, stated that departments are permitted to purchase offices supplies in a number of different ways: (1) through a voucher process; (2) the use of a procurement card; and/or (3) for items costing more than \$5,000, through the Purchasing Department.

On motion of Regent Ray, seconded by Regent Berry and by a unanimous vote, the request to delegate authority to the Chancellor to negotiate and execute extension to the contract (K-07-00160) with Today's Business Solutions for providing office supplies to the University of Houston was approved. This item will be placed on the August 17, 2010 Board of Regents agenda for final Board approval.

9. Approval is requested to delegate authority to the Chancellor to negotiate and execute a contract for copier service to the University of Houston – Item I – F&A-7

Dr. Carlucci requested approval to delegate authority to the Chancellor to negotiate and execute a contract for copier service to the University of Houston. The purpose of this contract is to reduce cost and improve service by consolidating copier service under one vendor. This contract would have no impact on the existing contract with the University Copy Center, which provides copying and printing services to UH departments at its on-campus location. The University of Houston currently has about 360 copiers and has spent approximately \$1.4 million on copier services in FY2009. An RFP was completed and bids have been received. If approved, negotiations with the approved vendor, Xerox, will be done to lock-in prices for basically an exclusive service.

For cost saving purposes, Regent Berry commented that administration might look into the possibility of a system-wide centralization contract. Dr. Carlucci stated that he would discuss this possibility with the other campuses.

On motion of Regent Ray, seconded by Regent Berry and by a unanimous vote, the request to delegate authority to the Chancellor to negotiate and execute a contract for copier service to the University of Houston was approved. This item will be placed on the August 17, 2010 Board of Regents agenda for final Board approval.

10. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts associated with the sale of The University's Working Interest in Southwestern Energy Newsome Unit No. 1, Well No. 5 – University of Houston – Item K – F&A-9

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Dr. Carlucci requested approval to delegate authority to the Chancellor to negotiate and execute contracts associated with the sale of The University Working Interest in Southwestern Energy Newsome Unit No. 1, Well No. 5. Mr. Roy B. Christie passed away in 2003 leaving several properties / mineral interests to the University of Houston. Dr. Carlucci stated the advantages of the sale would: (1) relieve the University of the working interest liabilities; (2) the university would receive approximately \$200,000 (after commission) from the sale of the working interest, to go to the Perkins and Perkins Christie Endowment Fund; and (3) the University would retain 100% of all mineral rights which would allow the University to lease minerals in future dates.

On motion of Regent Berry, seconded by Regent Ray and by a unanimous vote, the request to delegate authority to the Chancellor to negotiate and execute contracts associated with the sale of The University's Working Interest in Southwestern Energy Newsome Unit No. 1, Well No. 5 was approved. This item will be placed on the August 17, 2010 Board of Regents agenda for final Board approval.

11. Texas Higher Education Board Re-approvals – University of Houston – Item L – F&A-10

Dr. Carlucci introduced this information item. This SERC project was approved by the Board of Regents in February 2010 with two different funding sources, HEAF and IDC. Since there will be an additional funding source to the SERC build-out plan, re-approval was needed from the Texas Higher Education Coordinating Board (THECB). The scope and budget remain the same which do not need re-approval from the Board of Regents. Please note that this item was listed as an approval item in error.

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 10:30 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.

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Others Present:

Renu Khator  
Carl Carlucci  
John Antel  
Dona Cornell  
Elwyn Lee  
Grover Campbell  
Stuart Long  
William Flores  
Barbara Stanley

Craig Ness  
Raymond Bartlett  
Don Guyton  
Tom Ehardt  
David Bradley  
Wayne Beran  
Prince Wilson  
Oscar Gutierrez  
Mike Emery

Mike Glisson  
Micah Kenfield  
Diane Murphy  
Monica McHenry  
John Walsh  
Ed Hugetz  
Judy Young  
Dan Wells  
Richard Bonnin



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Michelle Moosally  
Mark Clarke  
Mac Sterns  
Sean York  
Ed Jones

Liz Fletcher  
Karen Clarke  
Willie Munson  
Keith Kowalka  
Marquette Hobbs

John Proffitt  
Philip Lyons  
Dineta Frazier  
Jon Aldrich  
Gerry Mathisen