

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

Thursday, November 15, 2018 – The members of the Finance and Administration Committee of the University of Houston System convened at 1:55 p.m. on Thursday, November 15, 2018 at the Hilton University of Houston Hotel, Conrad Hilton Ballroom, Second Floor, 4450 University Drive, Houston, Texas 77204, with the following members participating:

ATTENDANCE –

Members Present

Gerald W. McElvy, Chair  
Peter K. Taaffe, Vice Chair  
Steve I. Chazen, Regent  
Paula M. Mendoza, Regent  
Andrew Z. Teoh, Student Regent, Non-voting  
Tilman J. Fertitta, Ex Officio

Non-Members Present

Durga D. Agrawal, Regent  
Beth Madison, Regent  
Jack B. Moore, Regent

Absent

Doug H. Brooks, 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, Gerald W. McElvy called the meeting to order.

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AGENDA ITEMS

**Action Items:**

The first item requiring committee approval were the minutes from the following Finance and Administration Committee meeting:

1. August 23, 2018, Finance and Administration Committee Meeting

On motion of Regent Taaffe, seconded by Regent Mendoza, and by unanimous vote of the regents in attendance, the minutes from the Finance and Administration Committee meeting listed above was approved.

Regent McElvy stated the committee would be presented five (5) agenda items: four (4) action items requiring committee and board approval and one (1) item for information only.

Regent McElvy moved to the first action item listed on the agenda, Item C, the Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts exceeding \$1 million for the purchase of goods or services, excluding construction contracts, at the University of Houston System, and asked Mr. McShan, Senior Vice Chancellor for Administration and Finance to introduce this item.

Mr. McShan stated that this item was a request to delegate authority to the Chancellor to negotiate and execute contracts exceeding \$1 million for the purchase of goods or services, excluding construction contracts, at the University of Houston System.

This agenda item was for a request to approve a contract for the AdvoCare Texas Kickoff Game between the University of Houston and Washington State University on September 18, 2019 at NRG Stadium. The projected revenues for this game will be approximately \$1.7 million; the total expenses will be approximately \$977,000; and the University is guaranteed a minimum of \$900,000 of revenue for participating in this game. Mr. McShan requested committee approval to move forward for this game contract with AdvoCare Texas Kickoff Game.

On motion of Regent Chazen, seconded by Regent Mendoza, and by unanimous vote of the committee members in attendance, the request to delegate authority to the Chancellor to negotiate and execute contracts exceeding \$1 million for the purchase of goods or services, excluding construction contracts, at the University of Houston System was approved.

The next item listed on the agenda was Item D, Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for the design and construction of the College of Medicine building at the University of Houston – University of Houston. Regent McElvy asked Mr. McShan to please introduce this item.

Mr. McShan stated this item was seeking approval to delegate authority to the Chancellor to negotiate and execute contracts in the amount of \$80.0 million for the design and construction of the College of Medicine building at the University of Houston. The Board had recently approved the site of this building to be located on the MacGregor site. The approximate cost of this project will be \$80.0 million which would include \$68.0 million for actual capital construction cost; \$6.5 million for architecture and engineering services; and \$1.5 million for furnishings.

On motion of Regent Mendoza, seconded by Regent Taaffe, and by unanimous vote of the committee members in attendance, the request to delegate authority to the Chancellor to negotiate and execute contracts for the design and construction of the College of Medicine building at the University of Houston was approved in the amount of \$80.0 million.

Item E, Approval is requested to establish tuition and fee rates for the Doctor of Medicine at the University of Houston – University of Houston was the next agenda item to be presented for the committee's consideration and approval. Regent McElvy requested Mr. McShan present this item to the committee.

Mr. McShan stated with the start of the College of Medicine, approval was being requested to establish tuition and fee rates for the first class of medical school students. The proposed actual rate of \$23,755, which when compared to our peers, was basically in a very similar price range as all of the other Texas universities other than Sam Houston State and the TCU University of North Texas situation. This cost also includes a \$100 College of Medicine Malpractice and Long Term Disability Fee for each student per year. Mr. McShan also complimented his peer, Vice Chancellor for University Advancement, Ms. Eloise Dunn Brice and her staff, for securing the scholarships for the first class of students who will be attending the Medical School.

On motion of Regent Taaffe, seconded by Regent Mendoza, and by unanimous vote of the committee members in attendance, the request to establish tuition and fee rates for the Doctor of Medicine at the University of Houston was approved.

Regent McElvy moved to the next item on the agenda, Item F, Approval is requested to modify the FY2020 fixed tuition rates at the University of Houston – University of Houston; and he asked Mr. McShan to please present this item for the committee’s consideration and approval.

Mr. McShan stated FY2013 was the first year the state Legislature required Texas public universities to offer fixed rate tuition as an option to all students in addition to the variable rate. The fixed rate was for 15 semester credit hours (SCHs) or above and it would be for one flat amount. This amount was to be in place for four (4) years in order to give the students/parents the ability to plan on what the cost would be over this period of time.

Mr. McShan said that most universities took the variable rate for 15 SCHs, added approximately a 2% - 3% amount to this total, and stated a student could either take a fixed rate of 15 SCHs or more to be guaranteed this rate for four (4) years or take the variable rate, which would be lower the first year for 15 SCHs, but over the course of the four (4) years would include the historic increases of 2%-3%. A student would save money with the fixed rate and would be able to take as many SCHs as they would like with the fixed rate proposal. At that time, UH had established one (1) fixed rate and it has worked well. In review, the most equitable thing for the range of variable rates that UH has is to have a fixed rate associated with each group of variable rates.

Below is a breakdown of a 4-year fixed resident undergraduate tuition rates per term for the University of Houston effective Fall 2019 (FY2020)

<u>Fall / Spring Fixed Rates</u>			<u>Summer Fixed Rates</u>		
	<u>Fall 2019 (FY20)</u>			<u>Fall 2019 (FY20)</u>	
	<u>Resident Undergrad</u>	<u>Cohort Proposed*</u>		<u>Resident Undergrad</u>	<u>Cohort Proposed*</u>
	UG1	\$5,317		UG1	\$1,063
UHin4	UG2	\$5,667	UHin4	UG2	\$1,133
Fall/Spring	UG3	\$6,183	Fall/Spring	UG3	\$1,237
	UG1	\$5,366		UG1	\$1,073
Transfer	UG2	\$5,720	Transfer	UG2	\$1,144
Fall/Spring	UG3	\$6,240	Summer	UG3	\$1,248

\*Excludes mandatory fees. Numbers rounded to the nearest whole dollar for presentation purposes only. Actual rates will be charged out to two decimals. Non-resident premiums are in addition to the proposed rates.

Mr. McShan stated that each of the colleges were grouped in one of the three (3) categories listed above (UG1, UG2 or UG3) based upon the relative cost to provide their degrees. As noted above, the proposal was to have a fixed rate for each of these categories. Currently, with the one (1) fixed rate in place, it is inequitable for those students in UG1 because the rate is well above the UG1 variable rate; therefore, the proposal was to have a fixed rate associated with each of the variable rates which then again is typically 3-1/2% higher in the first year but doesn’t change for four (4) years. The variable

rate students would then be subject to changes during this period as well as any class courses taken by the student would drive the cost typically above it. Along with this comes all of the benefits and requirements associated with UHin4. The proposal also calls for a higher rate for transfer students for their fixed rate because they are not required to participate in UHin4.

Currently, the proposal includes fixed summer rates for UHin4 students; basically, for the price of 3 SCHs the students may take as many hours as they would like within reason. A brief discussion followed.

On motion of Regent Chazen, seconded by Regent Mendoza, and by unanimous vote of the committee members in attendance, the request to modify the FY2020 fixed tuition rates at the University of Houston was approved.

At the conclusion of the approval of the last action item, Regent McElvy called for a motion to place all action items, presented and unanimously approved by the committee, on the Board of Regents' Consent Docket Agenda for final Board approval.

On motion of Regent Taaffe, seconded by Regent Mendoza, and by unanimous vote of the committee members present, the following four (4) action items were placed on the Board of Regents' Consent Docket Agenda for final approval at the November 15, 2018, Board of Regents meeting held later in the day as follows:

1. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts exceeding \$1 million for the purchase of goods or services, excluding construction contracts, at the University of Houston System – UH System;
2. Approval is requested to delegate authority to the Chancellor to negotiate and execute construction contracts for the design and construction of the College of Medicine building at the University of Houston;
3. Approval is requested to establish tuition and fee rates for the Doctor of Medicine at the University of Houston; and
4. Approval is requested to modify the FY2020 fixed tuition rates at the University of Houston.

The last item listed on the agenda was Item G, a Presentation of the Fiscal Year 2018 University of Houston System Annual Financial Report Summary - University of Houston. Regent McElvy asked Mr. McShan to introduce this item to the committee.

Mr. McShan introduced Ms. Karin Livingston, Assistant Vice President for Finance, who has been at the University of Houston for over 16 years and who would be presenting this item. Below is a brief summary of her remarks.

Ms. Livingston stated that she would be presenting an overview of the Annual Financial Report (“AFR”) for FY2018. This report represents a statement of activities for the fiscal year, an inventory of system assets and the claims against those assets, and the net worth of the system. The report

focuses on operations on activities and it excludes construction spending. The AFR is due to the state on November 20, 2018 and will be published on the UH reporting website at the following link: [http://www.uh.edu/finance/pages/Annual\\_Fin\\_Reports.htm](http://www.uh.edu/finance/pages/Annual_Fin_Reports.htm). A timeline for this report was addressed, along with the methodology the University of Houston System uses for data analysis.

The University of Houston System Combined FY2018 Results of Operations was presented as follows:

Actual Revenues – Totaled \$1,686.7 Million

- Tuition and Fees – 41%
- State Appropriations – 19%
- Contracts and Grants – 17%
- Other Operating – 12%
- Endowment/Gifts – 6%
- HEAF/NRUF – 5%

Actual Expenses – Totaled \$1,619.4 Million

- Student Access and Success – 67%
- Infrastructure and Administration – 18%
- National Competitiveness – 12%
- Community Advancement – 3%

Ms. Livingston outlined the University of Houston Combined Analysis of Revenues over a four (4) year period. The 2018 budget was presented as a comparison to the 2018 AFR actuals as follows:

	<u>AFR 2018 Actual</u>	<u>FY 2018 Budget*</u>
1. State Appropriations	\$ 324.0	\$ 326.5
2. HEAF / NRUF	84.5	82.5
3. Tuition and Fees	684.5	679.2
4. Other Operating	226.1	225.1
5. Contracts and Grants	268.5	247.3
6. Endowment / Gifts	99.1	63.5
TOTAL	\$ 1,686.7	\$ 1,624.1

The University of Houston System Combined Analysis of Operating Expenses was addressed for this time period. The 2018 budget was presented as a comparison to the 2018 AFR actuals as follows:

	<u>AFR 2018 Actual</u>	<u>FY 2018 Budget*</u>
1. Student Access and Success	\$ 1,084.9	\$ 1,083.7
2. National Competitiveness	192.9	189.4
3. Infrastructure & Administration	294.8	316.8
4. Community Advancement	46.8	35.0
TOTAL	\$ 1,619.4	\$ 1,624.9

Ms. Livingston gave a brief summary of the University of Houston System Combined Analysis of Asset Balances FY2015-2018 over a four year period.

- UHS Combined Analysis of Asset Balances – FY2015 – FY2018 - On August 31, 2018  
(\$ Millions)

	<u>History Years</u>			AFR Year
	2015 <u>Actual</u>	2016 <u>Actual</u>	2017 <u>Actual</u>	2018 <u>Actual</u>
<b>Assets</b>				
1. Cash, Appropriations & Investments	\$ 1,296.8	\$ 1,508.3	\$ 1,824.0	\$ 1,921.0
Consisting of:				
2. Cash & Appropriation Balances	163.1	206.6	234.6	250.7
3. Investments (includes Endowment)	1,133.7	1,301.7	1,589.0	1,670.3
4. Capital Assets, Net of Depreciation	\$ 1,365.6	\$ 1,425.2	1,535.0	\$ 1,718.2
Consisting of:				
5. Land	\$ 108.4	\$ 120.6	\$ 141.8	\$ 142.2
6. Construction in progress	135.0	147.6	181.7	301.3
7. Buildings, Facilities, Infrastructure	980.1	1,024.4	1,082.6	1,145.7
8. Equipment, Art, Software, Books	142.1	132.6	128.9	129.0
9. Other Assets	\$ 1,156.1	\$ 1,318.8	\$ 1,547.0	\$ 1,729.0
Consisting of:				
10. Receivables (student, loans, & gifts)	248.9	224.4	258.3	308.3
11. Prepaid expenses	43.4	43.5	43.2	50.4
12. Assets held by other UHS components	826.6	1,012.9	1,201.0	1,323.1
13. Inventories, deferred charges	4.0	5.4	4.1	1.6
14. Deferred resources (TRS pensions)	33.2	32.6	40.4	45.6
15. TOTAL ASSETS	\$ 3,818.5	\$ 4,252.3	\$ 4,906.0	\$ 5,368.2

- UHS Combined Analysis of Liability Balances & Equity Balances – FY2015 – FY2018  
On August 31, 2018 (\$ Million)

	<u>History Years</u>			AFR Year
	2015 <u>Actual</u>	2016 <u>Actual</u>	2017 <u>Actual</u>	2018 <u>Actual</u>
<b>Liabilities</b>				
1. Payables & Accrued Liabilities	\$ 113.9	\$ 130.5	\$ 136.3	\$ 161.6
Consisting of:				
2. Accounts Payable & Accruals	33.3	38.5	33.6	43.7
3. Payroll Payable	80.6	92.0	102.7	117.9
4. Bonds & Long Term Obligations	\$ 952.8	\$ 1,117.1	\$ 1,394.8	\$ 1,541.7
5. Other Liabilities	\$ 1,296.6	\$ 1,497.1	\$ 1,720.2	\$ 1,889.2
Consisting of:				
6. Deferred Revenue	\$ 226.2	\$ 239.2	\$ 260.7	\$ 282.5
7. Deposits held for others	27.9	26.6	26.3	26.4
8. Asset held for UHS components	826.6	1,012.9	1,201.0	1,323.1
9. Other Commitments & Defer charges	18.7	13.4	15.8	18.4
10. Pension Liabilities (TRS)	197.2	205.0	216.4	238.8

	History Years			AFR Year
	2015 <u>Actual</u>	2016 <u>Actual</u>	2017 <u>Actual</u>	2018 <u>Actual</u>
(Cont'd)				
11. Total Liabilities	<u>\$2,363.3</u>	<u>\$ 2,744.7</u>	<u>\$ 3,251.3</u>	<u>\$ 3,592.5</u>
12. Total Equity Balance	<u>\$1,455.2</u>	<u>\$ 1,507.6</u>	<u>\$ 1,654.7</u>	<u>\$ 1,775.7</u>

- UHS Combined Revenues by UHS Component – FY2018 (Final) (\$ Millions)

	A State Appropriations	B HEAF / NRUF	C Tuition & Fees	D Other Operating	E Contracts & Grants	F Endow / Gifts	G Actual 2018 Total
1. Univ. of Houston	\$ 192.8	\$ 60.4	\$ 496.4	\$ 198.9	\$ 195.1	\$ 88.7	\$1,232.3
2. UH-Clear Lake	34.0	8.0	67.5	10.7	18.8	1.5	140.5
3. UH-Downtown	31.3	11.8	93.2	6.2	38.3	2.9	183.7
4. UH-Victoria	18.0	4.3	27.4	3.4	14.9	1.3	69.3
5. UH System Admin.	<u>47.9</u>	<u>-</u>	<u>-</u>	<u>6.9</u>	<u>1.4</u>	<u>4.7</u>	<u>60.9</u>
6. UH System Total	<u>\$ 324.0</u>	<u>\$ 84.5</u>	<u>\$ 684.5</u>	<u>\$ 226.1</u>	<u>\$ 268.5</u>	<u>\$ 99.1</u>	<u>\$1,686.7</u>

- UHS Combined Expenses by UHS Component – FY2018 (Final) (\$ Millions)

	A Student Access & Success	B National Competitiveness	C Infrastructure & Administration	D Community Advancement	E Actual 2018 Total
1. Univ. of Houston	\$ 774.2	\$ 186.9	\$ 165.7	\$ 41.8	\$ 1,168.6
2. UH-Clear Lake	102.6	1.8	21.5	-	125.9
3. UH-Downtown	145.7	2.7	33.1	4.3	185.8
4. UH-Victoria	60.8	0.5	7.9	0.7	69.9
5. UH System Admin.	<u>1.6</u>	<u>1.0</u>	<u>66.6</u>	<u>-</u>	<u>69.2</u>
6. UH System Total	<u>\$ 1,084.9</u>	<u>\$ 192.9</u>	<u>\$ 294.8</u>	<u>\$ 46.8</u>	<u>\$ 1,619.4</u>

- UHS Combined Analysis of Asset, Liability, & Equity Balances by UHS Component – FY2018 (Final) On August 31, 2018 (\$ Millions)

	Univ. of Houston	UHCL	UHD	UHV	UHS Admin.	UHS '18 Total
<b>Assets</b>						
1. Cash, Appropriations & Investments	\$ 409.7	\$ 49.9	\$ 16.3	\$ 16.2.0	\$1,428.9.9	\$ 1,921.0
2. Capital Assets, Net of Depreciation	1,257.9	176.7	158.5	75.9	49.1	1,718.1
3. Other Assets	<u>1,251.0</u>	<u>124.3</u>	<u>161.0</u>	<u>94.3</u>	<u>98.5</u>	<u>1,729.1</u>
4. Total Assets	<u>\$ 2,918.6</u>	<u>\$ 350.9</u>	<u>\$ 335.8</u>	<u>\$ 186.4</u>	<u>\$ 1,576.5</u>	<u>\$ 5,368.2</u>

	Univ. of Houston	UHCL	UHD	UHV	UHS Admin.	UHS '18 Total
(Cont'd)						
<b>Liabilities</b>						
5. Payables & Accrued Liabilities	\$ 89.1	\$ 22.0	\$ 12.2	\$ 4.3	\$ 34.0	\$ 161.6
6. Bonds & Long Term Obligations	989.9	165.6	123.2	120.4	142.6	1,541.7
7. Other Liabilities	464.7	61.0	70.0	33.5	1,260.0	1,889.2
8. Total Liabilities	<u>\$ 1,543.8</u>	<u>\$ 248.6</u>	<u>\$ 205.4</u>	<u>\$ 158.2</u>	<u>\$ 1,436.6</u>	<u>\$ 3,592.5</u>
9. Total Equity Balance	<u>\$ 1,374.9</u>	<u>\$ 102.3</u>	<u>\$ 130.4</u>	<u>\$ 28.2</u>	<u>\$ 139.9</u>	<u>\$ 1,775.7</u>

Note: Resources and obligations related to TRS pensions, as attributable to each component have been included in the above display.

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

It was noted that an Executive Session would not be held.

There being no further business to come before the committee, the meeting adjourned at 2:52 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.

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Others Present:

Renu Khator	Raymond Bartlett	David Oliver
Jim McShan	Emily Messa	Sabrina Hassumani
Paula Myrick Short	Nicholas Merry	Chris Pezman
Dona Cornell	Dan O'Connor	Raul Ramos
Eloise Dunn Brice	Karin Livingston	Mike Emery
Jason Smith	Kevin Draper	Mark Denney
Richard Walker	Lisa Gossett	Wayne Beran
Ira K. Blake	Dan Maxwell	Trent Williams
Juan Sánchez Muñoz	Ray Paulerson	David Bradley
Robert Glenn	Ben Garza	Eric Herrera
Mike Johnson	Mike Rosen	Kevin Dorsey
Don Guyton	Mike Slaten	Todd Ackerman
Lisa Holdeman	Stephen Berberich	Shreerekha Subramanian
Elwyn Lee	Whitney Warlich	Ryan Harrison
Brian Thomas	Don Price	Phil Booth
Jon Aldrich	Shannon Harrison	Matthew Castillo
Nadar Ibrahim	Joe Brueggman	Sarah Whiteley
Patty Godfrey	Kevin Dorsey	Christa Rieck
Marquette Hobbs	Brenda Robles	Gerry Mathisen