UNIVERSITY OF HOUSTON SYSTEM
Endowment Management Committee
December 3, 2009

AGENDA

UNIVERSITY OF HOUSTON SYSTEM
ENDOWMENT MANAGEMENT COMMITTEE MEETING

DATE: Wednesday, December 3, 2008

TIME: 10:30 a.m.

PLACE: University of Houston
4800 Calhoun
Ezekiel Cullen Building
Board Room 128
Houston, Texas 77204

Chair: Carroll Robertson Ray
Vice Chair: Jim P. Wise
Members: Calvin W. Stephens
Welcome W. Wilson, Sr., Ex Officio
Advisory Members: Michael J. Cemo
J. Christopher Jones

I. **Endowment Management Committee Meeting**
Board Room 128, Ezekiel Cullen Building

Chair: Carroll Robertson Ray
Vice Chair: Jim P. Wise
Members: Calvin W. Stephens
Welcome W. Wilson, Sr., Ex Officio
Advisory Members: Michael J. Cemo
J. Christopher Jones

A. Call to Order

B. Report and Recommendations Regarding Endowed and Non-Endowed Assets – UH System — EM 1

Action: Information and/or Approval

Item Number EM 1

C. Report on Endowment Assessment and Fund Raising Efforts – UH System EM 2

Action: Information

Item Number EM 2

Supporting Documentation

Comparison of Endowment Assessment Practices – November 18, 2008 – EM 3
UH University Advancement Division –
Review of Assessment Activity FY2007-FY2008 – EM 4
UH University Advancement Division – FY2009 Budget Overview – EM 5
UHS – Private Support Analysis: Overview of Total New Commitments Since Creative Partnerships Campaign – EM 6
Historical Review of UH/UHS Gift Purpose Results – EM 7

D. Adjourn

UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA

COMMITTEE: Endowment Management

ITEM: Report and Recommendations Regarding Endowed and Non-Endowed Assets

DATE PREVIOUSLY SUBMITTED:

SUMMARY: The Committee will receive reports and recommendations from its investment consultant, Cambridge Associates, and discuss investment strategies for the University's Endowment Fund and Non-Endowed Funds.

FISCAL NOTE:

SUPPORTING DOCUMENTATION:

ACTION REQUESTED: Information and/or Approval

COMPONENT: University of Houston System

Renu Khator
PRESIDENT Renu Khator 11/25/08 **DATE**

EXECUTIVE VICE CHANCELLOR Carl Carlucci 11/20/08 **DATE**

Renu Khator
CHANCELLOR Renu Khator 11/25/08 **DATE**

UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA

COMMITTEE: Endowment Management

ITEM: Report on Endowment Assessment and Fund Raising Efforts

DATE PREVIOUSLY SUBMITTED:

SUMMARY: The Committee will receive reports concerning the Endowment assessment and fundraising results.

FISCAL NOTE:

SUPPORTING DOCUMENTATION:

ACTION REQUESTED: Information

COMPONENT: University of Houston System

Renu Khator-

PRESIDENT Renu Khator **DATE** 11/25/08

EXECUTIVE VICE CHANCELLOR Carl Carlucci **DATE** 11/26/08

Renu Khator-

CHANCELLOR Renu Khator **DATE** 11/25/08

Comparison of Endowment Assessment Practices

November 18, 2008

The University of Houston recently participated in a survey of nine universities about their financing techniques for university advancement utilizing their endowment and other gift tax concepts.

The survey revealed that UH is substantially below peer institutions, and competitive with universities with more established endowments, regarding the precentage of endowment assessment allocated for advancement.

The survey also revealed that UH does not employ any of the additional gift tax methods used by others, thus taxing our donors at an exceptionally lower rate overall.

University	Assessment Percentage	% of Overall Funding	Notes About Additional Funding Sources
Florida State University *	2.50%	75%	20% of funding comes from 6% draw on the earnings of spendable cash and the 5% balance comes from miscellaneous sources
Arizona State University	2.00%	NA	In addition to endowment assessment, ASU has a 2% assessment on all new gift deposits; 40% of funding come from university sources
University of South Florida	2.00%	50%	25% comes from earnings from operating accounts and 25% comes from temporary funding from the university
University of Cincinnati	1.85%	90%	Also receives short-term interest earnings from gift fund accounts
University of Houston	1.50%	47%	Balance of funding comes from university sources
University of Illinois	1.20%	NA	Balance of funding comes from university sources; budget is tight and additional/alternative revenue sources are being explored
University of North Carolina	0.80%	52%	20% comes from unrestricted gifts and restricted endowment, 11% state appropriations and the balance from overhead receipts and other sources
University of Washington	0.80%	NA	Balance comes from interest income from expendable gift accounts, new endowment "parking" ** and university funds (local, no state money)
University of Pittsburgh	0.00%	0%	All funds come from university

* *Florida State's draw is on endowment earnings*

** *Distributions from first six months of new endowments go to the development budget (this is called "parking")*

EM 3

UH University Advancement Division
Review of Assessment Activity
FY2007 and FY2008

Revenues		
FY2007 Assessment	$	5,084,000
FY2008 Assessment		5,347,000
Total Assessment Received		10,431,000
Expenses		
FY2007 Salaries & Benefits		1,614,000
FY2007 M&O		2,203,000
FY2008 Salaries & Benefits		2,163,000
FY2008 M&O		3,043,000
Total Expenses		9,023,000
Variance	$	1,408,000

NOTES:

> FY2007 was the first year of the increased assessment

> M&O includes donor cultivation activities, travel, events, publications, database and desktop support,etc.

> Looking ahead to FY2009, 40 new positions have been created using assessment funds--most have been filled

> Total salary and benefits planned to be paid by assessment funds in FY2009 is $3.6 million

UH University Advancement Division
FY2009 Budget Overview

Draft November 18, 2008

Revenues *		
Starting Unbudgeted Fund Balance All Sources		$ 3,748,000
Recurring University Advancement Funds	6,436,000	
Assessment Funds **	5,867,000	
Total Recurring Funds and Assessment		12,303,000
Total Funds		16,051,000
Expenses *		
Planned Recurring Salaries		9,159,000
Planned Recurring M&O		3,144,000
Variable M&O ***		1,431,000
Total Expenses		13,734,000
Projected Ending Available Fund Balance		2,317,000
Encumbered Salary & Benefits for FY10 & FY11 ****		(1,800,000)
Adjusted Projected Ending Fund Balance		$ 517,000

** Excludes Farfel and Rockwell lecture series*

*** $3.6 million funds salaries and benefits; balance funds M&O expenses*

**** Includes $500K to seed branding costs; also includes database and computer investments, annual fund supplement, seed funds for additional college-based fundraisers; special cultivation activities; workstations for additional FTE, etc.*

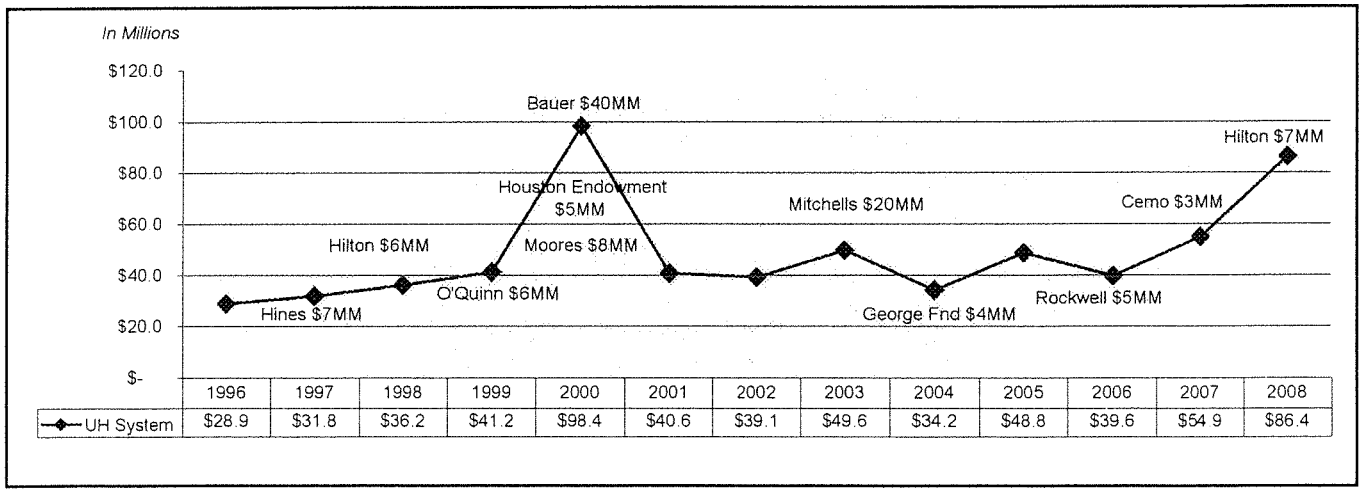
***** A decline in assessment revenues of at least $800K to $1MM is expected for FY10 and likely for FY11; fund balance has been earmarked to offset the shortfall in order to avoid possible layoffs*

University of Houston System

Private Support Analysis: Overview of Total New Commitments Since Creative Partnerships Campaign

fundraising amounts are presented in millions

UH Units:	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Architecture	$ 0.3	$ 7.2	$ 0.1	$ 0.3	$ 0.2	$ 0.2	$ 0.3	$ 0.2	$ 0.5	$ 0.7	$ 0.7	$ 0.3	$ 1.3
Athletics	0.6	0.7	1.2	11.2	4.2	5.7	0.8	1.2	1.6	1.8	2.6	2.7	11.5
Business	0.6	0.6	1.0	1.4	40.7	2.1	1.0	1.2	2.6	4.9	2.8	7.4	8.9
Education	0.3	0.4	1.3	0.5	2.5	1.6	0.8	0.7	0.4	0.8	0.2	1.8	3.9
Engineering	1.5	1.5	2.7	1.5	3.2	2.2	2.5	2.8	2.5	2.4	2.1	2.3	6.5
Honors	1.7	0.2	2.2	0.2	0.3	0.3	0.6	0.2	0.3	0.3	0.6	0.6	1.0
Hotel & Restrnt Mgmt	1.3	0.9	10.7	0.5	0.7	2.0	0.6	0.6	0.5	3.4	1.6	1.6	9.9
Law	1.2	0.7	0.9	1.1	2.8	1.3	2.6	2.7	3.2	2.9	2.1	2.1	2.0
Liberal Arts & Soc Sci	4.9	4.5	3.4	4.1	12.6	5.4	4.7	23.6	4.0	4.6	3.8	5.6	6.1
Library	0.1	0.1	0.1	0.4	9.1	4.4	5.9	0.8	1.5	0.2	0.3	0.7	0.2
Natural Sci & Math	2.9	2.4	2.1	5.1	3.5	2.9	4.2	3.4	3.6	4.0	3.3	4.4	5.9
Optometry	0.2	0.1	-	0.2	1.5	0.3	0.1	0.2	0.7	0.9	1.6	2.6	1.8
Pharmacy	0.9	0.5	0.3	0.4	0.5	0.5	0.4	0.7	0.6	0.7	0.4	1.0	1.4
Social Work	0.1	0.5	-	1.1	0.1	0.3	1.1	0.6	0.7	0.6	0.6	0.9	1.2
Technology	0.1	0.1	0.1	0.1	0.1	0.1	0.5	0.1	0.1	0.8	0.3	1.3	0.8
General Univ Support	2.4	1.4	1.4	1.5	2.6	2.3	2.5	1.3	1.8	2.6	6.8	2.9	5.3
KUHF Radio	1.7	1.8	1.8	1.8	2.0	1.4	2.6	2.4	2.3	2.6	1.8	4.8	6.1
KUHT Television	4.7	4.8	4.3	4.6	5.3	4.4	3.9	4.3	4.5	7.6	4.6	6.8	8.4
UH Total	25.5	28.4	33.6	36.0	91.9	37.4	35.1	47.0	31.4	41.8	36.2	49.8	82.2
UH-Clear Lake	0.9	0.9	1.1	0.6	0.5	0.5	1.1	0.6	1.3	0.5	0.7	0.6	0.8
UH-Downtown	2.0	2.0	0.7	2.8	4.4	1.9	1.9	1.0	0.7	1.0	1.4	3.0	1.9
UH-Victoria	0.2	0.2	0.2	0.5	0.3	0.2	0.6	0.4	0.4	0.7	0.5	0.7	0.8
System-level	0.3	0.3	0.6	1.3	1.3	0.6	0.4	0.6	0.4	4.8	0.8	0.8	0.7
UH System Total	$ 28.9	$ 31.8	$ 36.2	$ 41.2	$ 98.4	$ 40.6	$ 39.1	$ 49.6	$ 34.2	$ 48.8	$ 39.6	$ 54.9	$ 86.4



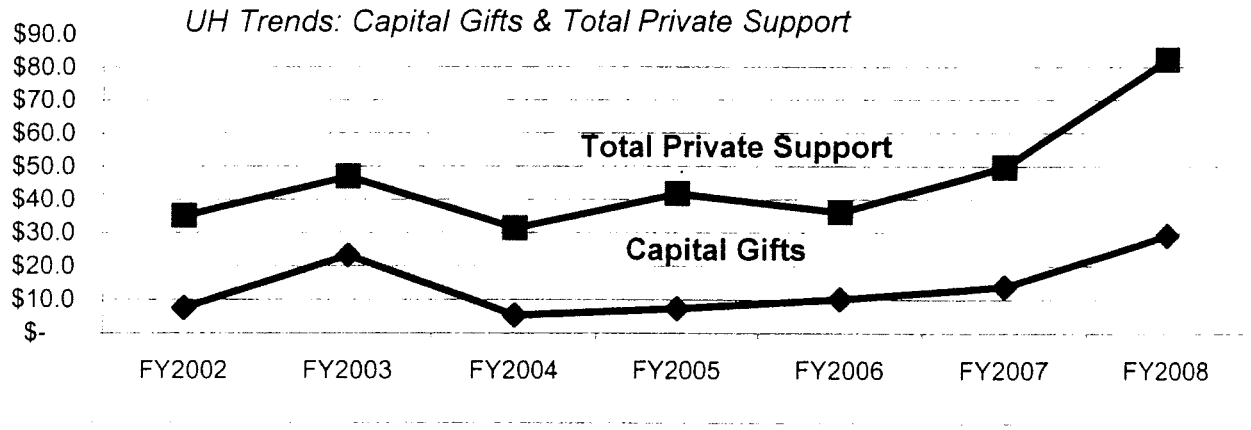
Note: New commitments include outright gifts, private grants, irrevocable deferred gifts and pledges received during the fiscal year, pledge payments are excluded

As of November 18, 2008

Historical Review of UH/UHS Gift Purpose Results

November 18, 2008

	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008
A) Endowment							
UH	$ 2.7	$ 18.5	$ 3.6	$ 6.4	$ 9.3	$ 6.2	$ 9.2
UH System	3.6	19.3	4.5	7.5	10.0	7.2	10.5
B) Building & Property							
UH	4.9	4.8	1.8	1.0	0.9	7.8	20.1
UH System	5.1	4.9	1.8	5.6	1.6	8.8	20.4
C) Total Capital (A+B)							
UH	7.6	23.3	5.4	7.4	10.2	14.0	29.3
UH System	8.7	24.2	6.3	13.1	11.6	16.0	30.9
D) Current Operations							
UH	27.5	23.7	26.0	34.4	26.0	35.8	52.9
UH System	30.4	25.4	27.9	35.7	28.0	38.9	55.5
E) Total Private Support (C+D)							
UH	35.1	47	31.4	41.8	36.2	49.8	82.2
UH System	39.1	49.6	34.2	48.8	39.6	54.9	86.4



Note: George & Cynthia Mitchell committed $20MM in capital support to the Mitchell Center for the Arts in FY2003: $16MM for endowment and $4MM for building and property