

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

Thursday, February 18, 2016 – The members of the Finance and Administration Committee of the University of Houston System convened at 2:15 p.m. on Thursday, February 18, 2016 at the University of Houston, Student Center Ballroom, Room 210, Second Floor, 4455 University Drive, Houston, Texas, with the following members participating:

ATTENDANCE –

Present

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

Non-Members Present

Durga D. Agrawal, Regent
Beth Madison, Regent
Paula M. Mendoza, Regent
Roger F. Welder, Regent
Garrett H. Hughey, 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.

AGENDA ITEMS

Action Items:

1. Approval of Minutes – Item B

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

- August 20, 2015, Finance and Administration Committee Meeting

Regent Armour stated the committee would be presented eight (8) action items for consideration and approval and two (2) items for information only at the meeting. The first three (3) action items listed on the agenda were related to the approval of delegating authority to the Chancellor for various contracts. Regent Armour asked Mr. Jim McShan, Interim Vice Chancellor for Administration and Finance to present these action items and once presented he would call for the vote. Below is a listing of these items:

2. Item C - Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for the design and construction of a new Academic Building at the University of Houston Sugar Land, F&A-C;

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3. Item D - 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, F&A-D; and
4. Item E - Approval is requested to delegate authority to the Chancellor to negotiate and execute construction contracts exceeding \$1 million for projects at the University of Houston System, F&A-E.

Mr. McShan stated the first item was a request to delegate authority to the Chancellor to negotiate and execute contracts for the design and construction of a new Academic Building at the University of Houston Sugar Land. This building will be approximately 150,000 gross square feet (GSF) with a total project cost of \$54 million. The funds were made available as a result of the Texas Legislature approving Capital Construction Bonds during the last session for this specific property. The location for this building was previously addressed in the Facilities, Construction and Master Planning Committee held earlier in the day in the University of Houston Sugar Land Master Plan which was approved. The Finance and Administration Committee was seeking approval to move forward with the design and construction of this facility. If approved, construction of this facility would begin in March 2017 with occupancy in August 2018.

The next item addressed by Mr. McShan was Item D, 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. Board of Regents policy 55.01.01 states that the Board must approve any contract, including any amendment, extension, or renewal thereto, that results in the value of the contract exceeding \$1 million throughout the term of the contract. Below is a brief summary of Mr. McShan's remarks on the contracts listed.

- University of Houston's collaboration with the Houston Independent School District (HISD) on The Teach Forward Program. HISD will select 100 students that are in the top 15% of their graduating class and pay the tuition for a four-year teaching degree in the College of Education. The cost of this contract is \$4,000,000.
- University of Houston-Downtown – This request is for a proposal and sole source with ProQuest LLC for various library services in the amount of \$1,819,374.
- University of Houston System – Ratification of extension of temporary personnel services contract with Corestaff Services LP from December 31, 2015 to June 30, 2016 to allow time to negotiate a contract with another vendor following a competitive procurement process. Corestaff's contract began September 1, 2009. The cost was \$700,000 for the 6-month extension; \$9,800,000 was the total cost over the 6-years including extension.
- University of Houston System – Project Manager Augmentation. This contract is where the University goes out solicits project management firms to be available such that we need them for specific projects to hire them. This contract would be for up to \$1,200,000.
- University of Houston System – Transwestern Property Company SW GP LLC is currently the vendor for the Energy Research Park ("ERP"). This contract is in the amount of \$1,500,000 from January 16, 2015 to January 15, 2020, including possible extensions. Regent Wilson, Jr. inquired as to whether or not this contract could be terminated during this time period. Ms. Cornell stated that this was already a five-year contract; and the Board was only being asked to extend the amount that could be authorized to spend as well as the

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scope of service that would be included. Regent Wilson, Jr. then suggested that this would be for ERP only but as far as expanding their services, he wanted to limited that. Mr. McShan did clarify that if they were to bring in another vendor for services, that vendor would then require Board approval.

The third action item addressed by Mr. McShan was the request to delegate authority to the Chancellor to negotiate and execute construction contracts exceeding \$1 million for projects at the University of Houston System. Below is a breakdown of the construction contracts greater than \$1 million.

- University of Houston - The first three (3) contracts listed were for ratifications and have been in place for some time. Once the initial Job Order Contractors had been approved and unless an individual piece had gone over \$1 million in one year, it did not have to come back to the Board for approval. But since the cumulative of these contracts was in excess of that approval was being requested for these three (3) contracts: J.T. Vaughn Construction LLC for up to \$6,500,000; Lee Construction and Maintenance Co. for up to \$6,500,000; and Kellogg Brown and Root LLC for up to \$6,500,000. These contracts were all entered into on May 15, 2013 to May 17, 2017, including possible extensions.
- University of Houston – The next two (2) items listed were for architectural services. These were initiated on June 13, 2013 to June 12, 2017, including possible extensions. A Request for Proposal (“RFP”) and qualifications were done and these two (2) firms were selected: Stantec Architecture Inc. (formerly SHW Group LLP) and PBK Architects, Inc. These firms were attained on an as needed basis for smaller projects without going through the three or four months’ solicitation and selection process. These ratifications and approvals were being requested to spend up to \$1,500,000 for each of these firms from now until June 2017.
- University of Houston – The next item was requesting approval for the Chancellor to negotiate and approve an agreement for the architectural design services for the new Football Indoor Practice Facility. The funds are available. It is important to get started on the process as there is a deadline involved as it does take several months to go through the selection process for an architectural firm.
- University of Houston – The next item was requesting repairs to the Cullen Fountain. The estimated cost for these repairs is \$1,900,000. It is anticipated that it will take 90 to 120 days to complete the project. This project would begin in May and the anticipated completion date would be the beginning of the new academic year.
- University of Houston – This project is for repairs pertaining to air flow issues at the Science, Engineering and Research Center (SERC) building. The SERC building was originally built with a lot of shell space and the type of facilities installed such as labs, and the materials that were used there require significant air flow exchange and it was currently not at that standard.
- University of Houston – Additional authority was being requested for \$1,200,000 in HEAF funds for the indoor air quality control updates to the Architecture Building; the next two items were requesting authority in HEAF funds for the Cullen Performance Hall Fire Sprinkler System in the amount of \$2,750,000; and the Agnes Arnold Hall Sprinklers in the amount of \$1,800,000. The University has been working with the State Fire Marshall regarding these two projects.

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- University of Houston-Victoria - This contract was for the build-out of University North shell space and renovations to Center and West Buildings in the amount of \$6,000,000 from Construction Revenue Bonds at UHV.

Following the presentation of this item, Regent Armour called for a motion to place the following three (3) action items as presented.

On motion of Regent McElvy, seconded by Regent Taaffe, and by a unanimous vote of the regents in attendance, the following three (3) action items were approved by the committee as follows:

1. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for the design and construction of a new Academic Building at the University of Houston Sugar Land;
2. 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
3. Approval is requested to delegate authority to the Chancellor to negotiate and execute construction contracts exceeding \$1 million for projects at the University of Houston System.

Mr. McShan presented the next action item on the agenda, Item F, Approval is requested to delegate authority to the Chancellor to take all actions to lease classroom and faculty and staff space in Katy for the University of Houston-Victoria, F&A-F.

Mr. McShan presented this item for the committee's consideration. UH-Victoria is actively pursuing leasing space in Katy for its operations. This space will host all UHV classes and activities currently held at UH-Sugar Land, UHS-Cinco Ranch, and HCC – Katy locations. This facility will be approximately 9,000 square feet of office space and nearly 20,000 square feet of classroom space; and include a conference room, a student lounge, computer lab, and building infrastructure for a total of approximately 40,000 square feet.

The estimated yearly rental cost is expected to be \$1,505,700 but it does not include operational expenses and other fees. This lease shall be for a three-year term and shall not exceed \$5,100,000 for the three-year term.

On motion of Regent Wilson, Jr., seconded by Regent McElvy, and by a unanimous vote of the regents in attendance, the request to delegate authority to the Chancellor to take all actions to lease classroom and faculty and staff space in Katy for the University of Houston-Victoria was approved.

The next action item addressed before the committee was Item G, the Approval is requested for changes to the FY2017 and FY2018 fixed tuition rates, variable rate undergraduate and graduate tuition and fee rates, mandatory student-recommended fees, and voluntary and optional fees at the University of Houston System campuses – University of Houston System, F&A-G.

University of Houston System

Mr. McShan presented this item to the committee requesting FY2017 and FY2018 tuition and fee recommendations. There were four (4) different categories of fees addressed before the committee as follows:

1. FY2017 and FY2018 variable-rate undergraduate and graduate tuition and fees;
2. Changes to the FY2017 and FY2018 undergraduate fixed tuition;
3. Changes to the FY2017 and FY2018 mandatory student-recommended fees; and
4. Changes to the FY2017 voluntary and option fees and charges.

Mr. McShan reviewed the campus tuition and fee process for the committee's information. The process used was a very inclusive, deliberative and well-vetted process before it comes to the committee for their consideration and approval; and everything was tied to student success.

Variable undergraduate and graduate rate tuition increases at other research and emerging research Texas universities were addressed for FY2017 and FY2018; and the University of Houston has requested a 2.0% increase in both undergraduate and graduate tuition for FY2017 and a 2.2% increase in both undergraduate and graduate tuition rates for FY2018.

A slide was presented showing Legislative funding per semester credit hour (SCH) from FY2000 to FY2017. In FY2000, the SCH (dollar value) per student was \$54.44; and during this past Legislative session for FY2016-FY2017 that number was \$55.39. Across the board, the cost between State input and student input ranged from 60-69% of the education costs funded by either the State or the student. The biggest change noted was in 1984, the State portion covered 64% of the total cost and the student's portion was 10%; but in 2016, the percentage was still 66% but the State's portion was now 24% versus the student's revenue portion being 42%.

The University of Houston's Fall 2015 tuition and fees compared to other Texas universities based on 12 semester credit hours was addressed. It should be noted that UH does have a variable rate and/or a fixed rate for students. The University of Houston has a 12-hour option for students whereas most schools with fixed rates do not. If a student were to take 12-hours, they would be paying the same amount as someone taking 15 credit hours. Due to UH's demographics, the university wanted to encourage as many students as possible to take 15 credit hours in order to graduate as quickly as possible and to save as much money as possible in doing so. But there are still many students here at UH who are working and taking classes part-time. Therefore, it was thought that UH would also have the 12-hour option. If a student were to choose the variable 12-hour option, student costs would continue to climb with each additional hour a student takes. But UH also has a fixed rate option for a student coming into UH who wants a fixed rate option. They would be paying \$5,300 for 15 credit hours.

Mr. McShan presented a brief overview of each of the System campuses showing Fall 2015 tuition and fees for 30 credit hours academic year for undergraduates of our national peer institutions which was obtained from the Texas Higher Education Coordinating Board's classifications. It was noted that each of our System campuses were well positioned with our peer institutions.

University of Houston

Mr. McShan gave a summary of the University of Houston's strategies to enhance student success as follows:

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1. Add additional faculty to support enrollment growth and new academic programs;
2. Increase financial aid;
3. Work to retain and recruit faculty and staff; and
4. Enhance academic infrastructure (e.g., library, IT and facilities)

Recent progress on key student success measures are noted below:

1. 1st year retention rate – FY2013 was 83%; FY2014 was 84% and FY2015 was 86%
2. 4-year graduation rate – FY2013 was 20%; FY2014 was 23% and FY2015 was 25%
3. 6-year graduation rate – FY2013 was 47%; FY2014 was 48% and FY2015 was 51%
4. Average freshman SAT – FY2013 was 1133; FY2014 was 1139 and FY2015 was 1142.

Mr. McShan reviewed the FY2017 and FY2018 proposed variable rate tuition and fees (excluding mandatory student-recommended fees) for the University of Houston undergraduate student. UH is requesting a 2% increase in 2017 and a 2.2% increase in 2018 for the four (4) groups which range from \$92 to \$120 in 2017 (averaging \$104) to \$102 to \$138 (averaging \$117) in 2018. Below is a breakdown of these four (4) groups based on the following rates per SCR:

	<u>FY2016 Actual</u> <u>Undergrad 15 SCH</u>	<u>FY2017 Actual</u> <u>Undergrad 15 SCH</u>	<u>FY2018 Actual</u> <u>Undergrad 15 SCH</u>
Group 1	\$305	\$311	\$318
Group 2	\$325	\$332	\$339
Group 3	\$355	\$362	\$370
Group 4	\$410	\$418	\$427

Mr. McShan reviewed the FY2017 and FY2018 proposed variable rate tuition and fees (excluding mandatory student-recommended fees) for the University of Houston graduate student. During this timeframe, doctoral programs would have a 0% increase each year. Masters and professional programs would increase 2.0% in FY2017 and 2.2% in FY2018, respectively.

There are 38 state-funded universities within the State of Texas in the bottom third of Texas Public Universities (30 credit hours) and the University of Houston-Clear Lake was ranked 27 at \$7,131; University of Houston-Victoria was ranked 32 at \$6,748; and University of Houston-Downtown ranked 34 at \$6,614.

Mr. McShan presented the FY2017 and FY2018 proposed tuition and fees for the University of Houston-Clear (UHCL), University of Houston-Downtown (UHD) and University of Houston-Victoria (UHV).

University of Houston-Clear Lake (UHCL)

The UHCL strategies to support student success were addressed, along with a breakdown as follows:

- Continued support for four-year initiative and downward expansion; and
- Over three (3) years: invested \$2.2M and increased services and volume

A. Recent UHCL progress on Student Success:

- Course completion rate (95% as of Fall 2015)

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- Year-to-year retention rate (83% as of Fall 2015)
 - 4-year FTIC graduation rate (69% as of Fall 2015)
- B. Student Success Center:
- 111% increase in supplemental instruction student visits
 - 161% increase in academic coaching program student participation
- C. Math Center:
- 195% increase in number of visits
- D. Writing Center:
- 9% increase in non-active/bilingual student participation
- E. Career and Counseling Center:
- 16% increase in career and counseling contacts
 - 24% increase in individual counseling sessions
 - 43% increase in counseling workshops
- F. Orientation and New Student Programs:
- 79% increase in orientation participation
 - 7% increase in new student program participation

Mr. McShan stated the FY2017 and FY2018 proposed variable rate tuition and fees (excluding mandatory student-recommended fees for UHCL were addressed. UHCL requested a 3.2% increase in 2017 of \$113 and a 3.2% increase in 2018 in the amount of \$117 for undergraduate (15 SCH). The graduate (9 SCH) increase requested in 2017 was 3.5%, an increase of \$138; and in 2018 a 3.1% increase of \$126.

University of Houston-Downtown (UHD)

The UHD's strategies to support student success were addressed, along with a breakdown as follows:

- Improve retention and graduation rates
 - Expand faculty/peer monitoring for FTIC students
 - Increase need-based financial aid by \$850,000 over a 2-year period
 - Expand incentive grants to encourage academic progress
 - Implement technology to provide students, staff, and faculty the tools necessary to enhance student academic progress
 - \$3.11M over 3 years

UHD's strategies to support graduate programs were as follows:

- Improve student support for non-MBA graduate degrees and certificates
 - Increase marketing support for new graduate certificates and degrees
 - Increase recruitment response time
 - Increase advisors
 - Increase services dedicated to career placement of students

Mr. McShan stated the FY2017 and FY2018 proposed variable rate tuition and fees (excluding mandatory student-recommended fees) for a UHD undergraduate student was as follows. UHD requested a 3.8% increase in 2017 in the amount \$126 and a 4.2% increase in 2018 in the amount of \$144 for 15 SCH. The proposed FY2017 and FY2018 variable rate for tuition and fees for a

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graduate student for 9 SCH was 8.5% in FY2017 in the amount of \$247 and an increase of 8.4% in FY2018 in the amount of \$266. The MBA program had a 0% increase each year; and the Non-MBA graduate programs: 8.5% in FY17 and 8.4% in FY18. Funds will be used to promote and support graduate programs targeting adult students; and effective in FY2017 (Fall 2016) only for new students.

University of Houston-Victoria (UHV)

The UHV’s strategies to support student success were as follows:

- Recent progress on student success measures
 - Four-year high retention rate (80% as of Fall 2015)
- Increase student financial aid
 - An average of \$1.5 million or more in aid provided to students each of the last three (3) years
- Support for student life, student success, facilities, and support operations
 - Increased funding by 10% over the last three (3) years to \$2.2 million
- Increase faculty and staff support new academic programs
 - Added forty-two full-time faculty members to support its new and existing programs in the past three (3) years
- Increase lower-level enrollments
 - Undergraduate enrollment increased from 1,972 FTE in Fall 2013 to 2,029 FTE in Fall 2015.

Mr. McShan stated the FY2017 and FY2018 proposed variable rate tuition and fees (excluding mandatory student-recommended fees) for UHV undergraduate students were as follows. UHV requested a 3.6% increase in FY2017 in the amount of \$119 and a 3.0% increase in FY2018 in the amount of \$104 for 15 SCH. The proposed FY2017 and FY2018 variable rate for tuition and fees for a graduate student for 9 SCH was 3.6% in FY2017 in the amount of \$111 and an increase of 3.0% in FY2018 in the amount of \$97.

Following the presentation on the variable rate tuition and fees for FY2017 and FY2018 for the four System institutions, Mr. McShan addressed the changes to the FY2017 and FY2018 4-year fixed tuition rates for UH, UHCL and UHV. Mr. McShan stated this was an optional program. The FY2017 rates would apply to the Fall 2016 cohort of first time in college (FTIC) freshmen plus undergraduate transfer students entering in Fall 2016. The FY2018 rates would apply to the Fall 2017 cohort of FTIC freshmen plus undergraduate transfer students entering in Fall 2017. Non-resident premiums and student-based fees were in addition to the rates listed below.

4-Year Fixed Tuition

Resident Undergrad	FY2016	\$ Change	% Change	FY2017	\$ Change	% Change	FY2018
	Cohort Actual			Cohort Actual			Cohort Actual
UH	\$4,855	\$97	2.0%	\$4,952	\$109	2.2%	\$5,061
UHCL	\$3,620	\$172	4.8%	\$3,792	\$162	4.3%	\$3,954
UHV	\$3,401	\$232	6.8%	\$3,633	\$243	6.7%	\$3,876

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Mr. McShan also addressed the requested changes to the FY2017 and FY2018 5-year fixed tuition rates for UHD. Effective with the FY2017 cohort, UHD will offer a 5-year fixed tuition plan in lieu of the current 4-year plan. This is also an option program. The FY2017 rates would apply to the Fall 2016 cohort of FTIC freshmen plus undergraduate transfer students entering in Fall 2016. The FY2018 rates would apply to the Fall 2017 cohort of FTIC freshmen plus undergraduate transfer students entering in Fall 2017. Non-resident premiums and student-based fees are in addition to the below rates.

5 Year Fixed Tuition

Resident Undergrad	FY2016			FY2017			FY2018
	Cohort Actual	\$ Change	% Change	Cohort Actual	\$ Change	% Change	Cohort Actual
UHD	\$3,414	\$194	5.7%	\$3,608	\$152	4.2%	\$3,760

Mr. McShan requested approval for changes to the FY2017 and FY2018 mandatory student-recommended fees as noted below:

	Current	\$ Change	% Change	New
University of Houston				
Student Service Fee FY2017	\$ 250.00	\$ 5.00	2.0%	\$ 255.00
Campus Recreation Fee FY2017	\$ 92.00	\$ 9.00	9.8%	\$ 101.00

The Student Service Fee collected (\$5.00 – 2.0% increase); the new rate will be \$255 to meet the changing needs of the UH student population, support student success, enhance student engagement, and address the psychological health needs of students. The funds collected will be used to fund the following:

- Fund additional psychologist and psychological counselor
- Fund a new sexual violence prevention educator position and enhance sexual violence prevention programming for UH wellness
- Enhance Center for Diversity and Inclusion staffing and programming
- Fund a new LGBTQ Program coordinator
- Fund a new career counselor position and six new career fairs
- Fund staff merit increases

In FY2017, it was recommended that the Campus Recreation Fee increase \$9.00 (9.8% increase) from \$92 to 101 to cover the debt service for the Natatorium renovation. The total cost for the Natatorium renovation project is \$8.65 million with funding financed over 17-years. Three (3%) has been set aside for deferred maintenance.

UH-Clear Lake

Student Service Fee FY2017	\$ 216.00	\$ 6.00	2.8%	\$ 222.00
Student Service Fee FY2018	\$ 222.00	\$ 12.00	5.4%	\$ 234.00

The Student Service Fee collected for FY2017 (\$6.00 – 2.8% increase); the new rate will be \$222. The increase in the hourly rate from \$36 to \$37 and the maximum rate from \$216 to \$222 per semester. The revenue will be used for salary compensation to help recruit and retain excellent

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employees. In FY2018, UHCL will increase the hourly rate from \$37 to \$39 and the maximum rate from \$222 to \$234 per semester. In addition to staff compensation the revenue will fund three (3) positions. One to help clients access community resources; one will assist in maintaining compliance with marketing and branding requirements; and one to provide support in the Counseling Office.

UH-Downtown

Student Service Fee FY2017	\$ 140.00	\$ 10.00	9.9%	\$ 253.92
Student Service Fee FY2018	\$ 150.00	\$ -0-	0.0%	\$ 150.00

The Student Service Fee collected for FY2017 (\$10.00 – 9.9% increase); the new rate will increase to \$253.92. The increase in the hourly rate from \$20 to \$21 and the maximum rate from \$140 to \$150 per semester. The revenue will be used to strengthen UH's counseling services. In FY2018 the increase in the hourly rate will be from \$21 to \$22 and the maximum rate will remain constant with the FY2017 rate of \$150 per semester (0% increase). The revenue will be used to support student-focused services and initiatives.

UH-Victoria

Student Service Fee FY2017	\$ 231.00	\$ 22.92	9.9%	\$ 253.92
Student Service Fee FY2018	\$ 253.92	\$ 25.08	9.9%	\$ 279.00

The Student Service Fee collected for FY2017 (\$22.92 – 9.9% increase); the new rate will increase to \$253.92. The increase in the hourly rate from \$38.50 to \$42.32 and the maximum rate from \$231 to \$253.92 per semester. The revenue will provide additional staffing to increase student recruitment, student life, student success, bus transportation, and student retention efforts. In FY2018 the increase in the hourly rate will be from \$42.32 to \$46.50 and the maximum rate from \$253.92 to \$279 per semester (\$25.08 – 9.9% increase). The revenue will provide additional staffing to increase student recruitment, student life, student success, bus transportation, and student retention efforts.

Mr. McShan presented the final request for approval from the committee for changes to the FY2017 voluntary and optional fees and charges for the University of Houston, UH-Clear Lake and UH-Downtown. Below is a brief summary of these recommendations:

University of Houston

1. Academic Voluntary and Options Fees – FY2017;
2. Student Housing – FY2017 rates will increase 3% across the board;
3. Meal Plans – FY2017 meal plans will increase approximately 3.4%;
4. Parking – FY2017. The university is trying to move towards a market-based system.

UH-Clear Lake

1. Academic Voluntary and Optional Fees – FY2017

UH-Downtown

1. Academic Voluntary and Optional Fees – FY2017

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On motion of Regent McElvy, seconded by Regent Wilson, Jr., and by a unanimous vote of the regents in attendance, the request for changes to the FY2017 and FY2018 fixed tuition rates, variable rate undergraduate and graduate tuition and fee rates, mandatory student-recommended fees, and voluntary and optional fees at the University of Houston System campuses was approved.

Following the approval of this item by the committee, Regent Armour stated that this item will also be addressed by the full Board at the Board of Regents meeting held later in the day.

The final three (3) action items listed on the agenda were presented by Mr. McShan as follows:

1. Approval is requested to write off Accounts and Notes Receivable for FY2015 – University of Houston System, F&A-H;
2. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for the purchase of insurance policies for Fiscal Year 2016 – University of Houston System, F&A-I; and
3. Approval is requested for the University of Houston FY2017 Holiday Schedule – University of Houston System, F&A-J.

Mr. McShan introduced the first action item, Item H, the request to write off the accounts and notes receivable for FY2015. The total amount of this request was \$11,705,579 and of this total, \$8,139,339 was spread across 10, 229 accounts at UH, UHCL, UHD and UHV. UHCL and UHD are adjusting accounts receivable balances totaling \$3,566,240 as the result of changes in write-off procedures, amounts related to system conversions, and amounts aged to write-off in prior years. It was noted that this was a financial statement write off, not a writing off of the collection process. If a student is in our system from the time we were able to maintain them in the system, we do not lose track of them. For example, if they should call for a transcript, the university would try to collect something in the process.

	FY2015 Current	Prior Year Adjustment	Prior Year Total
University of Houston	\$ 6,016,683	\$ -	\$ 6,016,683
UH System	0	0	0
UH-Clear Lake	227,593	570,214	797,807
UH-Downtown	1,668,715	2,996,026	4,664,741
UH-Victoria	226,348	0	226,348
TOTAL	\$ 8,139,339	\$ 3,566,240	\$ 11,705,579

Mr. McShan presented the next action item, Item I, the request to delegate authority to the Chancellor to negotiate and execute contracts for the purchase of insurance policies for Fiscal Year 2016. The State Office of Risk Management (SORM) administers the Property, Directors and Officers / Employment Practices / Educators Legal Liability and Automobile insurance programs. Other policies are administered by the UH Risk Management Department. The majority of our policies renew March 1, 2016 and the renewal process is currently underway. The estimated FY2016 annual expense will be approximately \$5,478,591 but not to exceed \$6 million for

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FY2016. Mr. McShan also noted that given the number of carts currently on campuses that these will also be included in the cost for approximately \$37,000.

The last action item addressed was Item J, the request for the UH System FY2017 Holiday Schedule. Mr. McShan stated that the number of annual holidays was determined by statute. There are currently 13 proposed days for FY2017.

Following Mr. McShan's presentation, Regent Armour called for a motion to approve the last three (3) action items as presented.

On motion of Regent Taaffe, seconded by Regent McElvy, and by a unanimous vote of the members in attendance, Item H through Item J was approved as presented to the Board.

At the conclusion of the approval of the last three (3) action items, Regent Armour called for a motion to place all action items presented to the committee, with the exception of Item G, on the Board of Regents' Consent Docket Agenda for final Board approval.

On motion of Regent Wilson, Jr., seconded by Regent McElvy, and by a unanimous vote of the committee members present, the following seven (7) action items were placed on the Board of Regents' Consent Docket Agenda for final approval at the February 18, 2016 Board of Regents meeting held later that in the day as follows:

1. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for the design and construction of a new Academic Building at the University of Houston Sugar Land;
2. 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;
3. Approval is requested to delegate authority to the Chancellor to negotiate and execute construction contracts exceeding \$1million for projects at the University of Houston System;
4. Approval is requested to delegate authority to the Chancellor to take all actions to lease classroom and faculty and staff office space in Katy for the University of Houston-Victoria;
5. Approval is requested to write off Accounts and Notes Receivable for FY2015 – University of Houston System;
6. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for the purchase of insurance policies for Fiscal Year 2016 – University of Houston System; and
7. Approval is requested for the University of Houston System FY2017 Holiday Schedule – University of Houston System

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The remaining two items listed on the agenda were presented for information only. The first item was Item K, Report on the Sale of the Consolidated Revenue and Refunding Bonds, Series 2016 A and Series 2016B and Overview of University of Houston System Bonds – University of Houston, F&A-K. Mr. McShan introduced the item and asked Mr. Raymond Bartlett, Senior Associate Vice Chancellor for Administration and Finance to present the item to the committee.

Mr. Bartlett stated this report from management was regarding the recent sale of the UH System Board of Regents Consolidated Revenue and Refunding Bonds, Series 2016A and Series 2016B as well as an overview of outstanding bonds of the System. Below is a recap of Mr. Bartlett's remarks.

- In November 2015, the Board authorized the issuance of up to \$285 million of bonds both tax exempt and taxable.
- Regent Armour had participated in the pricing of those bonds on January 21, 2016.
- Mr. Bartlett stated he was pleased to report to the Board that the System had received very competitive pricing on the 2016 Series A Bonds of 2.81%; and the successful buyer was Bank of America Merrill Lynch.
- Included in the Series 2016A sale was the refunding of \$63.6 million of debt which generated present value savings of \$9.4 million representing 14% of the refunded bonds.
- The Series 2016B Bonds were taxable and the System received the lowest bid of 3.14% which was from Raymond James & Associates.
- The System received a fixed rate (long-term) rating of Aa2/AA and variable rate (short-term): Aa2/MIG-1 and AA/A-1+ by Moody's and Standard & Poors (S&P), respectively.
- Commercial Paper: Prime-1 and A-1+ by Moody's and S&P, respectively.
- Outlook was Stable from both Moody's and S&P as well.
- The long-term rating reflects the creditworthiness of the UH System; the short-term and commercial paper ratings are rated very highly; and we have a stable outlook from both reporting agencies which reflects a lot of positive things both on a qualitative and quantitative qualities basis that are happening throughout the System with the Board's leadership and the leadership of the Chancellor.
- A slide was presented showing the Outstanding Bonds Supporting UHS' Growth from FY2001 – 2015. In 2008, the UHS received a rating upgrade to Aa3/AA-; in 2009 the UHS received another rating upgrade to Aa2/AA-; and in 2013 the UHS's rating went to Aa2/AA.
- A breakdown of UHS's total debt outstanding as of August 31, 2015 was \$834 million. 83% of this debt was university-funded while the remaining 17% was funded by TRBs.
- A breakdown of the total debt by the University was addressed. \$747.7 million (90%) was the University of Houston; \$21.2 million was for UH-Clear Lake; \$34.3 million for UH-Downtown and \$30.6 million for UH-Victoria.
- A breakdown of the \$834 million by purpose was shown. \$432.9 million (52%) was for Education and General (E&G or Academic); \$400.9 million (48%) was for Auxiliaries. A breakdown of the Auxiliaries debt was given as follows: \$184.6 million (46%) for housing; \$76.7 million (19%) for Student Service; \$71.4 million (18%) for Athletics; \$45.8 million (12%) for Parking; 3% for Food Service; and 2% for Community Service.

This item was presented for information only and required no committee action.

University of Houston System

The last item presented for information only was Item L, a Presentation of the Fiscal Year 2015 University of Houston System Annual Financial Report Summary – University of Houston System, F&A-L. Mr. McShan introduced this item and asked Mr. David Ellis, Executive Director for Financial Reporting to present this item. Below is a brief summary of his remarks.

Mr. David Ellis presented an overview of the results of operations for FY2015.

- The Annual Financial Report for FY2015 was addressed and a copy of this complete report may be viewed at the following website: http://www.uh.edu/finance/pages/Annual_Fin_Reports.htm
- The Annual Financial Report Timeline for FY2015 was given. All levels of management review the financial statements and once this has been completed, the report is submitted to the State Comptroller and State Auditor. The financial results for all UHS is presented to the Board in February and then a statewide comprehensive audit is completed.
- The University of Houston System Combined FY2015 Results of Operations was presented as follows:

Actual Revenues – Totaled \$1,463.4 Million

- Tuition and Fees – 41%
- State Appropriations – 19%
- Contracts and Grants – 19%
- Other Operating – 11%
- Endowment/Gifts – 6%
- HEAD/NRUF – 4%

Actual Expenses – Totaled \$1,371.7 Million

- Student Access and Success – 69%
- Infrastructure and Administration – 15%
- National Competitiveness – 12%
- Community Advancement – 4%

- Mr. Ellis was available for questions following his presentation.

This item was presented for information only and required no committee action.

Executive Session Report:

It was noted that an Executive Session was not held.

There being no further business to come before the committee, the meeting adjourned at 3:31 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

Raymond Bartlett
Emily Messa

David Oliver
Mark Clarke

University of Houston System

Others Present (cont'd)

Paula Myrick Short
Dona Cornell
Ramanan Krishnamoorti
Richie Hunter
Jason Smith
Eloise Dunn Stuhr
Richard Walker
Michael Olivas
Raymond "Vic" Morgan
William Staples
Mike Johnson
Don Guyton
Bob Browand
Brian Thomas
Matthew Joseph
Cathy Horn
Shannon Keen
Marquette Hobbs

David Ellis
Michelle Dotter
Ed Hugetz
Andrew Hamilton
Wayne Beran
Dan Maxwell
Shannon Harrison
Deidre Garcia
Jeffrey Cass
Thomas Tillotson
Bob McPherson
Iggy Harrison
Dana Rooks
Floyd Robertson
Andrew Davis
Oscar Gutierrez
Mei Chang
Brenda Robles

David Bradley
Sabrina Hassumani
Abner Fletcher
Owen Fassett
Phil Booth
Esmeralda Valdez
Chris Stanich
Jonathan Snow
Willie Munson
Don Price
Dick Phillips
Mark Yzaguirre
Mike Glisson
Jesse Pisors
Bill Monroe
Jon Aldrich
Ben Wermund
Gerry Mathisen