

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

Wednesday, November 16, 2011 – The members of the Finance and Administration Committee of The University of Houston System convened at 10:59 a.m. on Wednesday, November 16, 2011, at the Hilton University of Houston Hotel, Waldorf Astoria Ballroom E, Second Floor, 4800 Calhoun, Houston, Texas, with the following members participating:

ATTENDANCE –

Present

Jarvis V. Hollingsworth, Chair
Spencer D. Armour III, Vice Chair
Tilman J. Fertitta, Member
Welcome W. Wilson, Jr., Member
Nelda Luce Blair, Ex Officio

Non-Member(s) Present

Roger F. Welder, Regent
Tamecia Glover Harris, Student Regent

In accordance with a notice being timely posted with the Secretary of State and there being a quorum present, Chair of the Committee, Jarvis V. Hollingsworth, called the meeting to order. Regent Hollingsworth stated there would be four (4) approval items presented before the committee for consideration and four (4) informational items. At the conclusion of each action item, he would call for committee approval. After all action items were presented, a motion to place these items on the Consent Docket for final Board approval at the Board of Regents meeting scheduled for Wednesday, November 16, 2011, would be made. Regent Hollingsworth then introduced the first action item on the agenda, the approval of the minutes.

AGENDA ITEMS

Action Items:

1. Approval of Minutes – Item B

On motion of Regent Armour, seconded by Regent Fertitta and by a unanimous vote of the members in attendance, the following minutes from the meeting listed below were approved:

- August 17, 2011, Finance and Administration Committee Meeting

2. Re-Approval of the budget and funding sources for the construction of the University of Houston-Clear Lake Student Services Building for a total budget of \$39,694,103 – University of Houston-Clear Lake, Item C – F&A C-1

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Dr. Carlucci, Executive Vice Chancellor for Administration and Finance introduced this item. This project was initially approved in 2001. Dr. Carlucci stated re-approval of this project was necessary as the original construction of the building was plagued with water infiltration and other deficiencies due to poor design and construction. Legal action was taken against the contractor and architect which was resolved in 2011.

The original total budget for this project was \$35,918,750. Repair construction began in Spring 2010, and was completed in fall 2011, which increased the budget by \$3,775,353, bringing the revised total budget to \$39,694,103. The Texas Higher Education Coordinating Board (THECB) requires that they see changes over \$1,000,000; therefore, this increase requires both Board and Coordinating Board approval.

On motion of Regent Fertitta, seconded by Regent Armour and by a unanimous vote of the members in attendance, the re-approval of the budget and funding sources for the construction of the University of Houston-Clear Lake Student Services Building-University of Houston-Clear Lake for a total budget of \$39,694,103 was approved.

Dr. Carlucci addressed the following contracts.

3. Request for Approval of the Purchase of Microsoft Site Licenses – University of Houston, Item D – F&A D-5

Dr. Carlucci requested approval of a purchase of Microsoft Site Licenses in the amount of \$999,711. This purchase provides one-year licensing for use by the University of Houston faculty, staff and students for Microsoft products, versioning, and patches for the period November 1, 2011 through October 31, 2012.

It should be noted that even though this amount was under \$1,000,000, Dr. Carlucci felt that given the fact that these site licenses are driven by enrollment and the number of students, his expectation was that it could exceed the \$1,000,000 threshold; therefore, he felt it should be brought forward to the committee for consideration.

4. Request for Approval of the Interagency Contract for Workers Compensation and Risk Management Services for the State Office of Risk Management – University of Houston, Item E – F&A E-7

Approval was requested for an Interagency Contract for Workers Compensation and Risk Management Services. Texas Labor Code Chapter 412 requires state agencies to utilize the State Office of Risk Management to administer the Workers Compensation program, procure some insurance policies, and provide loss reduction services. The services were confirmed in a two-year interagency contract from September 1, 2011 until August 31, 2013. The University of Houston's costs for FY2012 is \$969,778, but the cost for FY2013 has not yet been determined.

This item was under the \$1,000,000 threshold, but Dr. Carlucci felt it should be brought forward for committee consideration because of the expectation the amount could exceed \$1,000,000.

On motion of Regent Armour, seconded by Regent Fertitta and by a unanimous vote of the members in attendance, the following two (2) items were approved:

1. Request for Approval of the Purchase of Microsoft Site Licenses – University of Houston; and
 2. Request for Approval of the Interagency Contract for Workers Compensation and Risk Management Services for the State Office of Risk Management – University of Houston
5. Request for Approval of the Annual Purchase of Programming from Public Broadcasting Services – University of Houston, Item F – F&A F-9

Dr. Carlucci presented this item and requested approval to purchase Public Broadcasting Services programming in the amount of \$2,085,315. KUHT will continue 100% participation in Public Broadcasting Service's National Program Service, Member Service, Plus Assessment, Copyright Assessment, and Station Independence Programs for FY 2012. Funding for the programming purchase was from the Corporation for Public Broadcasting's Community Service Grant, estimated to be at \$1,653,225, with the remaining balance being funded from community support/gifts.

On motion of Regent Wilson, seconded by Regent Armour and by a unanimous vote of the members in attendance, the Request for Approval of the Annual Purchase of Programming from Public Broadcasting Services – University of Houston was approved.

After the four (4) action items were approved, Chair of the Committee, Regent Hollingsworth called for a motion to place these items on the Consent Docket Agenda for the Board of Regents meeting scheduled for Wednesday, November 16, 2011.

On motion of Regent Wilson, seconded by Regent Armour, and by a unanimous vote of the regents in attendance, all four (4) action items presented will be placed on the Board's Consent Docket Agenda for final Board approval.

6. Overview of growth of licenses and costs under Oracle America Contracts – University of Houston, Item G – F&A G-11

This item was presented by Dr. Carlucci, who updated the committee on the growth in contracts with Oracle America which are expected to exceed \$1,000,000 for PeopleSoft applications and database products. The University of Houston System originally entered into agreements with PeopleSoft Inc. in FY2000 for database and enterprise resource planning (ERP) applications, following a competitive bid process to select an ERP. UH standardized on Sun hardware, following the selection of PeopleSoft as our ERP. Hyperion was selected approximately five (5) years ago following a competitive bid process to identify a platform for the UH data warehouse.

As these agreements were entered into separately over a period of more than a decade, Dr. Carlucci stated this overview was being submitted as an informational item for the Board of Regents' review.

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It should be noted that Regent Hollingsworth emphasized to the committee and the General Counsel that it was imperative that the Board policies be clear regarding what the expectation is should there be an anticipation that a contract were to exceed the \$1,000,000 threshold, it would be brought to the appropriate committee and then the Board for final approval.

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

7. Presentation of the Preliminary Fiscal Year 2011 University of Houston System Annual Financial Report Summary – University of Houston System, Item H – F&A H-13

Dr. Carlucci introduced this item and asked Mr. David Ellis, Executive Director of Financial Reporting, to present the Preliminary Fiscal Year 2011 University of Houston System Annual Financial Report Summary. Below is a brief overview of Mr. Ellis’s remarks.

- FY 2011 Annual Financial Report Timeline was addressed;
- UHS Combined FY2011 Preliminary Results of Operations were reviewed.
 - Revenues totaled \$1,280.9 million. A breakdown of revenues was outlined as follows:
 - (a) Tuition and Fees – 37%
 - (b) State Appropriations – 21%
 - (c) Contracts and Grants – 21%
 - (d) Other Operating – 11%
 - (e) Endowment/Gifts – 6%
 - (f) HEAF – 4%
 - Expenses totaled \$1,197.8 million. A breakdown of expenses was addressed as follows:
 - (a) Student Access and Success – 64%
 - (b) Infrastructure and Administration – 22%
 - (c) National Competitiveness – 11%
 - (d) Community Advancement – 3%
- UHS Combined Analysis of Revenues – FY2008-FY2011 was outlined as follows:

(\$ Millions)

	2008 Actual	2009 Actual	2010 Actual	2011 Preliminary	2011 Budget*
1. State Appropriations	\$ 283.0	\$ 289.0	\$ 284.4	\$ 273.4	\$ 295.0
2. HEAF	53.2	53.3	53.3	50.9	50.9
3. Tuition & Fees	365.3	399.0	436.5	471.9	455.4
4. Other Operating	99.0	97.3	102.1	137.4	149.1
5. Contracts & Grants	154.4	187.0	251.2	268.1	237.8
6. Endowment/Gifts	54.4	43.5	46.7	79.2	29.7
Total	\$ 1,009.3	\$1,069.1	\$ 1,174.2	\$ 1,280.9	\$ 1,217.9

*FY2011 Budget as adopted on 5-18-2010

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- Preliminary UHS Combined Revenues by UHS Component – FY2011 was outlined as follows:

	State Appropriations	HEAF	Tuition & Fees	(\$Millions) Other Operating	Contracts & Grants	Endow/ Gifts	Preliminary 2011 Total
1. Univ. of Houston	\$ 181.4	\$ 35.9	\$ 344.1	\$ 119.8	\$ 202.1	\$ 71.4	\$ 954.7
2. UH-Clear Lake	35.2	5.2	47.8	8.7	14.9	1.1	112.9
3. UH-Downtown	33.9	7.4	59.8	6.2	41.7	1.8	150.8
4. UH-Victoria	18.9	2.3	20.2	1.8	7.8	0.8	51.9
5. UH System Admin.	4.0	--	--	0.9	1.6	4.1	10.6
6. UH System Total	\$ 273.4	\$ 50.9	\$ 471.9	\$ 137.4	\$ 268.1	\$ 79.2	\$ 1,280.9

- UHS Combined Analysis of Operating Expenses – FY2008-FY2011 were addressed as follows:

	(\$ Millions)				
	2008 Actual	2009 Actual	2010 Actual	2011 Preliminary	2011 Budget*
1. Student Access/Success	\$ 613.1	\$ 670.5	\$ 737.1	\$ 760.5	\$ 754.0
2. Nat'l Competitiveness	81.0	87.8	98.3	134.9	152.6
3. Infrastructure & Admin.	173.0	206.1	200.1	269.4	276.8
4. Community Advancement	40.3	41.0	42.8	33.0	34.5
5. Total	\$ 907.4	\$1,005.4	\$ 1,078.3	\$ 1,197.8	\$ 1,217.9

*FY2011 Budget as adopted on 5-18-2010

- Preliminary UHS Combined Expenses by UHS Component – FY2011 was outlined as follows:

	(\$ Millions)				
	Stu Access & Success	National Competitiveness	Infrastructure & Admin.	Community Advancement	Preliminary 2011 Total
1. Univ. of Houston	\$ 538.1	\$ 124.0	\$ 188.0	\$ 29.8	\$ 879.9
2. UH-Clear Lake	70.5	3.4	29.6	--	103.5
3. UH-Downtown	107.8	3.7	31.1	2.6	145.2
4. UH-Victoria	39.1	1.2	12.2	0.5	53.0
5. UH System Admin	5.0	2.6	8.5	0.1	16.2
6. UH System Total	\$ 760.5	\$ 134.9	\$ 269.4	\$ 33.0	\$ 1,197.8

- UHS Combined Analysis of Asset Balances FY2008-FY2011 on August 31, 2011 was addressed and is summarized below.

Assets

- Cash, Appropriations & Investments:

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- (a) 2008 Actual - \$1,146.0; 2009 Actual - \$1,039.2; 2010 Actual - \$1,150.9; 2011 Preliminary - \$1,172.9
 - Capital Assets, Net of Depreciation:
 - (a) 2008 Actual - \$626.4; 2009 Actual - \$775.1; 2010 Actual - \$859.8; 2011 Preliminary - \$964.1
 - Other Assets:
 - (a) 2008 Actual - \$135.6; 2009 Actual - \$155.1; 2010 Actual - \$193.0; 2011 Preliminary - \$217.8
 - Total Assets:
 - (a) 2008 Actual - \$1,908.0; 2009 Actual - \$1,969.4; 2010 Actual - \$2,203.7; 2011 Preliminary - \$2,354.8
- Preliminary UHS Combined Analysis of Liability Balances & Equity Balance – FY2008-FY2011 on August 31, 2011 was outlined and is summarized below:

	(\$ Millions)			
	2008 Actual	2009 Actual	2010 Actual	2011 Preliminary
Liabilities				
1. Payables & Accrued Liabilities	\$ 55.0	\$ 69.0	\$ 71.1	\$ 105.3
2. Revenue Bonds & Notes Payable	453.0	610.9	683.3	717.1
3. Other Liabilities	215.6	161.2	225.8	215.3
4. Total Liabilities	<u>\$ 723.6</u>	<u>\$ 841.8</u>	<u>\$ 980.8</u>	<u>\$ 1,037.7</u>
5. Total Equity Balance	<u>\$ 1,184.4</u>	<u>\$ 1,128.3</u>	<u>\$ 1,222.9</u>	<u>\$ 1,317.1</u>

- Preliminary UHS Combined Asset, Liability and Equity Balances by UHS Component on August 31, 2011 was addressed as follows:

	(\$Millions)					
	Univ. of Houston	UH Clear Lake	UH Downtown	UH Victoria	UHS Admin.	UH System 2011 Total
Assets						
1. Cash, Appropriations & Investments	\$ 276.2	\$ 31.3	\$ 36.8	\$ 11.2	\$ 817.4	\$ 1,172.9
2. Capital Assets, Net of Depreciation	707.8	72.2	95.9	23.2	65.0	964.1
3. Other Assets	151.6	13.8	22.0	28.6	1.8	217.8
4. Total Assets	<u>\$1,135.6</u>	<u>\$ 117.3</u>	<u>\$ 154.7</u>	<u>\$ 63.0</u>	<u>\$ 884.2</u>	<u>\$ 2,354.8</u>
Liabilities						
5. Payables & Accrued Liabilities	\$ 51.1	\$ 12.5	\$ 6.9	\$ 3.2	\$ 31.6	\$ 105.3
6. Revenue Bonds & Notes Payable	543.5	32.4	56.1	43.0	42.1	717.1
7. Other Liabilities	155.8	24.7	23.4	10.6	0.8	215.3
8. Total Liabilities	<u>\$ 750.4</u>	<u>\$ 69.6</u>	<u>\$ 86.4</u>	<u>\$ 56.8</u>	<u>\$ 74.5</u>	<u>\$ 1,037.7</u>
9. Total Equity Balance	<u>\$ 385.2</u>	<u>\$ 47.7</u>	<u>\$ 68.3</u>	<u>\$ 6.2</u>	<u>\$ 809.7</u>	<u>\$ 1,317.1</u>

A discussion followed. A complete copy of Mr. Ellis's presentation has been filed in the Board office. This item was for information only and required no committee action.

8. Student Success Initiative: University of Houston Simplification of Tuition and Fees – University of Houston, Item I – F&A I-24

A powerpoint presentation was given by Dr. Carlucci which gave an overview of the proposed consolidation of the University of Houston's undergraduate tuition and fees used for the general operation of the university and the delivery of instruction which included the following:

- Statutory tuition
- General designated tuition
- Differentiated designated tuition
- Consolidated university service fees (e.g., library, technology)
- College, department and course fees

Below is a brief summary of Dr. Carlucci's remarks.

- Current Tuition and Fee Structure –
 - Based on course enrollment and student major
 - Every course can have a different tuition and fee rate
 - A student's cost will vary semester-to-semester even if taking the same number of credit hours
- Simplified Structure –
 - Based on a student's major (one of three rates for an undergraduate or a college-based rate for graduates)
 - Entering students or those under a certain number of credit hours will pay the same rate regardless of major
- Simplification will be Revenue-Neutral
- University of Houston Peer Institutions were addressed
- Current and Proposed Sample Bill for five (5) course @ three (3) semester credit hours (SCH) = 15 SCH Total was presented as follows:

Current Payments

- Student
- Financial Aid

Charges

- Tuition (max variety example)
5 courses x 3 tuition rates = 15 lines
- Course & class fees (max variety example)
5 courses x 3 rates = 15 lines
- Mandatory fees
3 student set flat fees = 3 lines
1 university consolidated

Proposed Payments

- Student
- Financial Aid

Charges

- Tuition, course & class fees, mandatory university fees
5 courses x rate = 1 line
- Mandatory fees
3 student set flat fees, total = 1 line

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fee = 1 line
 - Total = 34 lines - Total = 2 lines

- At the undergraduate level, four (4) consolidated rates would be charged. First-time in college (FTIC) freshmen would pay one (1) rate regardless of major. Upperclassmen would pay one (1) of three (3) rates based on their majors.
- Preliminary rates were discussed and are included in the table below for reference.

<u>Student</u>	<u>Cost per SCH</u>	<u>Standard Deviation</u>	<u>Percent of Credit Hrs</u>	<u>Percent of Headcount</u>
FTIC Freshmen	\$ 282	\$14	16%	21%
Upperclassmen				
Level 1: CLASS (Lib Arts & Soc Sci), Education & USCH	\$ 282	\$ 14	25%	26%
Level 2: CLASS (Fine Arts & Comm), HRM, NSM, Phar	\$ 298	\$ 10	31%	27%
Level 3: Arch, Bus, Engr, Tech	\$ 326	\$ 11	28%	26%

- Below is a Sample of a Tuition and Fee Bill - 15 Hour Undergraduate with proposed tuition and fee structure for reference.

Tuition, Class and Incidental Fees (\$298 x 15 Credit Hours)	\$ 4,470.00
Mandatory Fees Student Service, UC and Wellness Fees	<u>354.00</u>
Total Tuition and Fees	\$ <u>4,824.00</u>

- It is important to note that this proposed consolidation does not constitute a tuition and fee rate increase. The consolidation is revenue neutral to the university. However, students might experience marginal cost increases or decreases depending on the combination of courses taken once the new rates apply as compared to previous semesters.
- Graduate and professional rates would be higher than the undergraduate rates since the cost of instructional delivery would be higher.

Further discussion followed this presentation. A complete copy of the Dr. Carlucci's presentation has been filed in the Board office.

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

9. Presentation of University of Houston System Purchasing Process – University of Houston System, Item J – F&A-J27

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Dr. Carlucci introduced Mr. Mike Glisson, Controller for the University of Houston, who gave a powerpoint presentation which provided the new uniform purchasing guidelines created by the University of Houston System purchasing directors. These guidelines, with the same processes and dollar thresholds, will be used by all system institutions. Mr. Glisson introduced the four (4) Directors of Purchasing for each of the UH System campuses:

- (a) Jeanne Cumpian, UH-Clear Lake
- (b) Mersades Richard, UH-Downtown
- (c) Brenda Svetlik, UH-Victoria
- (d) Christopher Burton, University of Houston System/University of Houston

Below is a brief summary of Mr. Glisson's remarks:

- These guidelines apply to the procurement of non-construction goods and services for all of the University of Houston System (UHS) components.
- These guidelines are intended to assist UHS components and comply with the Texas Education Code 51.9335 and other state and federal regulations through more specific procurements procedures.
- There are three (3) basic types of purchase opportunities:
 - Spot Purchase: use existing contracts when possible
 - Informal Bids: contact at least three (3) vendors, including two (2) HUBs, when available
 - Formal Bids: post on Comptroller's Electronic State Business Daily (ESBD)
- Purchasing Directors have regular meetings to discuss process improvements and collaborate on HUB events.
- FY2012 Uniform Bidding Thresholds for each UHS component were addressed and are outlined below for reference:

<u>Campus</u>	<u>Spot Purchase</u>	<u>Informal Bids</u>	<u>Formal Bids</u>
UH/UHSA	\$1 to \$5,000	\$5,001 to \$25,000	\$25,001 and up
UHCL	\$1 to \$5,000	\$5,001 to \$25,000	\$25,001 and up
UHD	\$1 to \$5,000	\$5,001 to \$25,000	\$25,001 and up
UHV	\$1 to \$5,000	\$5,001 to \$25,000	\$25,001 and up

- Purchasing guidelines only apply to UHS funds – not agency funds or foundation funds
- Under Texas Education Code 51.9335, best value considerations include the following:
 - Price
 - Vendor's reputation
 - Extent to which goods/services meet UHS needs
 - Past performance with UHS
 - Compliance with state rules related to HUBs and persons with disabilities
 - Long-term cost to UHS
- FY2011 purchase orders and payments for each system component were outlined and discussed.

A complete copy of Mr. Glisson's presentation was filed in the Board office. This item was for information only and required no further committee action.

There being no further business to come before the committee, the meeting adjourned at 12:21 p.m.

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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
Carl Carlucci
John Antel
Dona Cornell
Grover Campbell
Rathrinda Bose
Richard Walker
Philip Castille
Bill Staples
Chris Stanich
Carl Stockton
Michelle Dotter
Mersades Richard
Brenda Svetlik
Ed Jones

Don Guyton
Emily Messa
Monica McHenry
Mike Glisson
Wayne Beran
Barbara Stanley
David Ellis
Dan Wells
David Bradley
Christopher Burton
Malcolm Davis
Jennifer Chin-Davis
Jeanne Cumpian
Eno Idoh
Marquette Hobbs

Ed Hugetz
Tom Ehardt
Lisa Holdeman
Elaine Charlson
Oscar Gutierrez
Fred McGhee
Craig Ness
Bob Schneller
Spencer Moore
Mike Dressman
Raymond Bartlett
Pam Muscarillo
Theresa Meneley
Jon Aldrich
Gerry Mathisen