

Meeting No. 1,158

THE MINUTES OF THE BOARD OF REGENTS
OF
THE UNIVERSITY OF TEXAS SYSTEM

Pages 1 - 97

February 8 - 9, 2017

Austin, Texas

MEETING NO. 1,158

WEDNESDAY, FEBRUARY 8, 2017.--The members of the Board of Regents of The University of Texas System convened at 9:32 a.m. on Wednesday, February 8, 2017, in the Board Room, Ninth Floor, Ashbel Smith Hall, 201 West Seventh Street, Austin, Texas, with the following participation:

ATTENDANCE.--

Present

Chairman Foster
Vice Chairman Hicks
Vice Chairman Hildebrand
Regent Aliseda
Regent Beck
Regent Eltife
Regent Longoria
Regent Tucker
Regent Weaver
Regent Joseph, Student Regent, nonvoting

In accordance with a notice being duly posted with the Secretary of State and there being a quorum present, Chairman Foster called the meeting to order in Open Session.

U. T. System Board of Regents: Chairman's comments regarding Regental Board and Committee service

Chairman Foster welcomed Regent Kevin Eltife, Regent Janiece Longoria, and Regent Rad Weaver to the Board meeting. He said the Board would have an opportunity for a more official welcome on February 9.

(Secretary's Note:

On January 23, 2017, Governor Greg Abbott appointed the following individuals to the Board of Regents of The University of Texas System effective February 1, 2017, for terms to expire as noted:

Mr. Kevin P. Eltife, Tyler, Texas, for a term to expire on February 1, 2023, to succeed Mr. Wallace L. Hall, Jr., whose term expired on January 31, 2017.

Ms. Janiece Longoria, Houston, Texas, for a term to expire on February 1, 2023, to succeed Mr. Alex M. Cranberg, whose term expired on January 31, 2017. Regent Longoria had previously served on the Board from February 1, 2008 - February 1, 2011.

Mr. James Conrad “Rad” Weaver, San Antonio, Texas, for a term to expire on February 1, 2023, to succeed Ms. Brenda Pejovich, whose term expired on January 31, 2017.)

Each appointment was confirmed by the Senate, and each took the oath of office on February 8, 2017, prior to the Board meeting.]

Chairman Foster temporarily assigned the three new Regents to Committee membership as follows:

- Regent Eltife will be a member of the Facilities Planning and Construction Committee, the Finance and Planning Committee, and the Technology Transfer and Research Committee;
- Regent Longoria will be a member of the Academic Affairs Committee, the Facilities Planning and Construction Committee, the Health Affairs Committee, and the Technology Transfer and Research Committee; and
- Regent Weaver will be a member of the Academic Affairs Committee; the Audit, Compliance, and Management Review Committee; the Facilities Planning and Construction Committee; and the Technology Transfer and Research Committee.

Chairman Foster also assigned the following Board members as Interim Committee Chairmen for this meeting:

- Regent Aliseda will chair the Technology Transfer and Research Committee;
- Regent Beck will chair the Facilities Planning and Construction Committee; and
- Regent Tucker will chair the Health Affairs Committee.

Chairman Foster stated that he anticipated making permanent Committee Chair recommendations at a future meeting, and he solicited Board members’ thoughts on Committee assignments over the next few weeks.

RECESS TO COMMITTEE MEETINGS.--The Board recessed for Standing Committee meetings from 9:34 a.m. - 11:26 a.m. with participation as more specifically referenced in the Committee Minutes.

RECONVENE IN OPEN SESSION TO RECESS TO EXECUTIVE SESSION PURSUANT TO *TEXAS GOVERNMENT CODE*, CHAPTER 551.--At 11:27 a.m., the Board recessed to Executive Session pursuant to *Texas Government Code* Sections 551.071 and 551.074 to consider those matters listed on the Executive Session agenda.

RECONVENE IN OPEN SESSION.--The Board reconvened in Open Session at 12:52 p.m. Chairman Foster stated that no action was taken on the following items discussed in Executive Session.

1. U. T. Health Science Center - Tyler: Periodic comprehensive performance review of institutional president (Regents' *Rules and Regulations*, Rule 20201, Section 5, regarding Evaluation of Presidents)
2. U. T. System: Discussion regarding legal issues related to funding mechanisms that can assist U. T. System institutions in building philanthropic capacity to support their respective missions

(See related Open Session Item 8 on Page 17 for action taken on a related Open Session item on February 9, 2017.)

RECESS TO COMMITTEE MEETINGS.--The Board recessed for Standing Committee meetings from 12:53 p.m. - 4:18 p.m. with participation as more specifically referenced in the Committee Minutes.

THURSDAY, FEBRUARY 9, 2017.--The members of the Board of Regents of The University of Texas System reconvened at 9:05 a.m. on Thursday, February 9, 2017, in the Board Room, Ninth Floor, Ashbel Smith Hall, 201 West Seventh Street, Austin, Texas, with the following participation:

ATTENDANCE.--

Present

Chairman Foster
Vice Chairman Hicks
Vice Chairman Hildebrand
Regent Aliseda
Regent Beck
Regent Eltife
Regent Longoria
Regent Tucker
Regent Weaver
Regent Joseph, Student Regent, nonvoting

In accordance with a notice being duly posted with the Secretary of State and there being a quorum present, Chairman Foster called the meeting to order in Open Session.

U. T. System Board of Regents: Chairman's comments regarding Regental Board and Committee service.--Chairman Foster formally welcomed Regents Eltife, Longoria, and Weaver to the Board meeting by providing the following remarks:

Remarks by Chairman Foster

Let me again welcome Regent Kevin Eltife, Regent Janiece Longoria, and Regent Rad Weaver to the Board.

In 2005, in conjunction with the 100th anniversary of the approval of the U. T. System Seal, the Board commissioned a unique bronze rendition of the Seal. At this time, we will present replica seals to our three new Regents and take the opportunity to reflect on the history and traditions of The University of Texas and of the responsibilities associated with Board service.

Chairman Foster presented medallions with the customary symbolic seal of office to Regents Eltife, Longoria, and Weaver.

Chairman Foster recognized Vice Chairman Hicks for comments.

Remarks by Vice Chairman Hicks

I just want to welcome the new Regents as well and to talk about the responsibilities. One of the biggest responsibilities is hiring new presidents, and you will have a chance over the next 90 days to be in on the hiring of two new presidents of our academic institutions.

As I reflect on eight years of being on the Board, to me being a Regent ... you have to ask why are you here, and to me it's to promote and to get resources, and to set policy for our remarkable 14 institutions. What it's not ... it's not to mandate, and it's not to investigate, and it's certainly not to litigate our institutions. I know there's change, and with three of you coming on the Board is going to be a very powerful influence, and I just want to welcome all three of you to this Board.

AGENDA ITEMS

1. U. T. System Board of Regents: Approval of Consent Agenda Items and consideration of any items referred to the full Board

Chairman Foster noted the following related to the Consent Agenda:

The Consent Agenda is composed of items that the Regents' *Rules and Regulations* allow to be considered in a more summarized "consent" format as well as items of a more routine nature, regardless of the monetary value of the transaction. Consent Items receive advance review and approval by the Chancellor and The University of Texas System staff, and any Consent Item may be added to the agenda for appropriate Committee discussion prior to Board consideration, upon the request of a Regent.

He noted that on February 8, 2017, there had been discussion of how it is decided what goes on the Consent Agenda. Regent Longoria asked Chairman Foster if he also reviewed the Consent Agenda, and Chairman Foster replied he does not, only as part of his review prior to the meeting, and he said he does not have input on what goes on the Consent Agenda. He noted that each Board member can pull an item for consideration during a Committee agenda.

Regent Tucker commented on the mechanism built in to move Consent Agenda Items to the full Board agenda, and Chancellor McRaven also spoke about the deliberative process to review Consent Agenda Items, including consideration of dollar and policy thresholds. Regent Longoria noted that she will make a point of looking at the Consent Agenda for items she might like to pull. Chairman Foster added that he highlights significant items, and he noted the Consent Items as set forth on the next page.

- Item 2 is a routine item listing key management personnel authorized to have access to classified information associated with federal contracts. The Board is asked to approve a revision to reflect that Regents Eltife, Longoria, and Weaver will be listed by name to replace former Regents Hall, Cranberg, and Pejovich, respectively, and are excluded from the list of personnel needing access to classified federal information.
- Items 3 and 4 request authorization to lease space in the new U. T. System Administration building to The University of Texas Investment Management Company (UTIMCO) and delegation to lease vacant office space and ground floor commercial space to yet to-be-determined lessees for office or retail use. UTIMCO Chairman Hildebrand will abstain from vote on the UTIMCO lease because he participated directly in the negotiations.
- Item 8 seeks budget authority of \$500,000 of funds from the U. T. System Internal Lending Program to support the U. T. Network for National Security Quantum Leap.
- Items 38 and 39 request the approval of the appointment of Dr. Ben Raimer at The University of Texas Medical Branch at Galveston (UTMB) as a member of the Health and Human Services Executive Council and the appointment of Dr. Jeremy Wiseman at UTMB as a member of the Texas State Board of Acupuncture Examiners. The Board is asked to make findings that board service by Dr. Raimer and Dr. Wiseman is of benefit to the State of Texas and the U. T. System and that there is no conflict between the positions and the System.
- Item 41 seeks approval of a contract with Intuitive Surgical, Inc. for purchase of surgical robotics systems and associated products for The University of Texas M. D. Anderson Cancer Center.
- Item 42 seeks approval of a contract with Cardinal Health to provide a full line of wholesale drug services to all requesting U. T. M. D. Anderson Cancer Center departments. The contract has a potential value of \$5 billion.

Vice Chairman Hildebrand will abstain from vote on Consent Agenda Items 41 and 42 because of equity interests.

Chairman Foster asked Chancellor McRaven to confirm that the requested tenure appointment approvals on the Consent Agenda do not violate Governor Abbott's hiring freeze for state agencies, and Chancellor McRaven confirmed that the appointments do not violate the Governor's hiring freeze.

The Board then approved the Consent Agenda, which is set forth on Pages 57 - 97.

In approving the Consent Agenda, the Board expressly authorized that any contracts or other documents or instruments approved therein may be executed by the appropriate officials of the respective University of Texas System institution involved.

2. U. T. System Board of Regents: Discussion and appropriate action regarding proposed amendment to Regents' *Rules and Regulations*, Rule 10801 (Policy on Transparency, Accountability, and Access to Information) to add a new section regarding expectations associated with communications about achievements, significant events, and incidents to the Chancellor and to the Board (Deferred)

This item was deferred.

3. U. T. System Board of Regents: Discussion and appropriate action related to proposed amendment to Regents' *Rules and Regulations*, Rule 20901 (Procurement of Goods and Services; Contract Management Handbook) to provide an enhanced framework for implementation of state law

The Board approved amendments to the Regents' *Rules and Regulations*, Rule 20901 (Procurement of Goods and Services; Contract Management Handbook) to read as set forth below to provide an enhanced framework for implementation of state law:

- Sec. 1 Purpose. This Rule establishes policies required by state law concerning the acquisition of certain goods and services.
- Sec. 2 Code of Ethics. As required by *Texas Education Code* Section 51.9337(b)(1), the Board has adopted a Code of Ethics found in Regents' Rule 30104 (Conflict of Interest, Conflict of Commitment, and Outside Activities) and implemented through associated U. T. Systemwide policies.
- Sec. 3 Internal Investigations and Audit Protocols. As required by *Texas Education Code* Section 51.9337(b)(2), the Board has adopted policies for internal investigations and internal audit protocols, found in Regents' Rule 20401 (Audit and Compliance Programs).
- Sec. 4 Contract Management Handbook. As required by *Texas Education Code* Section 51.9337(b)(3), each institution and U. T. System Administration shall develop and maintain a Contract Management Handbook that provides consistent contracting policies and procedures, including a risk analysis procedure.

- 4.1 The Contract Management Handbook shall establish contract review procedures and a contract review checklist approved by the Office of General Counsel. The review procedures and checklist must include:
- (a) a description of each step of the procedure used to evaluate and process contracts;
 - (b) a checklist that describes each process that must be completed before contract execution; and
 - (c) a value threshold that initiates required review by legal counsel unless the contract is a standard contract previously approved by counsel.
- 4.2 Contract and Performance Monitoring. The Contract Management Handbook shall establish procedures to ensure the Board of Regents is notified of any serious issue or risk that is identified with respect to certain contracts as required under *Texas Government Code* Section 2261.253(c).
- Contracts shall be monitored in accordance with the institution's policies and Contract Management Handbook.
- 4.3 Notice to the Board. As required by *Texas Government Code* Section 2261.255(2), the Contract Management Handbook shall establish a procedure to assure the submission to the Board of any information on any potential issue that may arise in the solicitation, purchasing, or contractor selection process for any contract with a value exceeding \$5 million.

Sec. 5 Required Training. As required by *Texas Education Code* Section 51.9337(b)(5), each institution and U. T. System Administration shall develop training for officers and employees authorized to execute contracts for the institution or to exercise discretion in awarding contracts, including training in ethics, selection of appropriate procurement methods, and information resources purchasing technologies. Training shall be conducted in accordance with the institution's Contract Management Handbook.

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Remaining sections of the Regents' Rule were renumbered.

The changes to Regents' Rule 20901 incorporate several requirements found in Senate Bill 20 from the 2015 Legislative Session, relating to state agency contracting. This Rule was initially revised on November 5, 2015, to reference the

required Contract Management Handbook. These current amendments provide an enhanced framework for implementation of the new state laws added to the *Texas Government Code* and *Texas Education Code* by Senate Bill 20 and are intended to ensure robust oversight and compliance.

The changes identify existing and revised Regents' Rules and University of Texas Systemwide policies that comply with Senate Bill 20 requirements relating to the establishment of a code of ethics, audit protocols, and a process for internal investigations. The additions also codify the training required under new *Texas Education Code* Section 51.9337(b)(5) and the new requirement in *Texas Government Code* Section 2261.253(c) for each state agency to establish a procedure to identify contracts that require enhanced contract or performance monitoring, to submit information on those contracts to the governing board, and to notify the governing board of any serious issue or risk identified.

This Agenda Item was reviewed by the U. T. System institutional presidents and representatives of the Student Advisory Council, the Faculty Advisory Council, and the Employee Advisory Council.

4. U. T. System Board of Regents: Discussion and appropriate action regarding proposed amendment to Regents' *Rules and Regulations*, Rule 40901 (Charter Schools), Section 2, regarding delegation of oversight and supervision of charter schools to the president

The Board approved amendment of Regents' *Rules and Regulations*, Rule 40901 (Charter Schools), Section 2, regarding delegation of oversight and supervision of charter schools, to read as set forth below:

- Sec. 1 Conditions for Starting a Charter School. Upon a finding by the Chancellor, the Deputy Chancellor, and the Executive Vice Chancellor for Academic Affairs that a proposed application to operate a charter school as authorized by *Texas Education Code*, Chapter 12 meets requirements of state law and furthers the institutional mission, an institution may apply to the State Board of Education to operate a charter school. Charter school operations will adhere to all applicable provisions of state law including the *Texas Public Information Act*.
- Sec. 2 Oversight. The oversight and supervision of charter schools is delegated to the appropriate institutional president.
- Sec. 3 Advisory Council. A board or council may be appointed by the president to advise him or her on operation of the charter school. The board or council will comply with all provisions of the *Texas Open Meetings Act* applicable to the Board of Regents.

Regents' Rule 40901 allows for the creation of a charter school, as authorized by *Texas Education Code*, Chapter 12, if the proposal furthers the institutional mission. The oversight and supervision of charter schools are delegated to the appropriate institutional president, with a required report to the Board each year, detailing activities and performance of the charter school. Language related to charter schools was added to the Regents' *Rules and Regulations* on August 9, 2001.

Four charter schools currently exist at three University of Texas System institutions: the U. T. Elementary School and the U. T. University Charter School at The University of Texas at Austin; The University of Texas at Tyler Innovation Academy; and The University of Texas of the Permian Basin STEM Academy.

Amendment to Regents' Rule 40901 was in response to the Chancellor's charge to U. T. System Administration staff to streamline processes and eliminate unnecessary reporting, especially for those operating units where extensive oversight is already occurring as it does for U. T. charter schools. Each university charter school is approved to operate and funded by the Texas Education Agency (TEA). Operations are overseen by a board of trustees, the chief business officer of an institution, the institutional president, and, ultimately, the TEA.

A financial report, which includes a certified audit, is prepared each year. The TEA also conducts an annual assessment of each charter school's performance on various student-related measures.

This Agenda Item was reviewed by the U. T. System institutional presidents and representatives of the Student Advisory Council, the Faculty Advisory Council, and the Employee Advisory Council.

5. U. T. System Board of Regents: Discussion and appropriate action regarding proposed replacement of Regents' *Rules and Regulations*, Rule 70301 (Matters Relating to Real Property) (Deferred)

This item was deferred.

6. U. T. System: Approval of a one-time allocation of \$10 million from surplus funds generated through the U. T. System Internal Lending Program to support the Quantum Leap on Student Success

Deputy Chancellor Daniel outlined the request for a one-time allocation of \$10 million from surplus funds generated through The University of Texas System Internal Lending Program to support the Quantum Leap on Student Success. He explained that the initiative is designed to elevate graduation rates and student success and is proposed to be funded by non-Available University Fund (AUF)

money. He said proposals from the U. T. System institutions will be invited for highly-innovative, Leap-worthy endeavors, and he explained the process for competitive, internal review of the proposals; measurements for success; and plans for sustainability. He added that there will be some risks taken.

Dr. Daniel then introduced Dr. Rebecca Karoff, Associate Vice Chancellor for Academic Affairs, to describe the kinds of innovative student success initiatives expected to result from the competitive process. Dr. Karoff reviewed the blueprint of the initiative as she had presented to the Board on November 10, 2016, as part of a report on Quantum Leaps initiatives, noting the defining feature is to design a student success initiative that leads with commitments to the students. She explained the focus on the three pillars of finances, advising, and belonging; discussed measurements of success; and described possible projects as outlined in the Executive Summary set forth on the following pages.

Regent Beck asked if the reasons why students are not graduating on time have been identified, and Dr. Karoff said more advising is needed, which requires more staff, which is more expensive. She said predictive data analytics allows identification of students early to know who needs help, and she also spoke about ways to identify and address underpreparedness of some students.

Regent Weaver spoke in support of the project and encouraged a mentoring program, and in reply to a question about the \$10 million funding, Dr. Karoff provided a possible breakdown for a range of projects.

Regent Joseph asked if institutions may decide not to participate in the initiative, and Dr. Karoff answered affirmatively. She also commented on new metrics to measure student success for nontraditional students in response to a further question from Regent Joseph. Regent Tucker commented on the availability of useful data from the Office of Strategic Initiatives.

Regent Tucker commented that graduation rates at some institutions are below the state average. Citing this as a Board priority, she noted the success of some programs on campuses, such as U. T. Austin. Regent Tucker asked how the institutional presidents would integrate this proposal into established programs that are getting good traction, and Chancellor McRaven ensured Regent Tucker that the institutional presidents are focused on this, but a lot comes down to money, and this request for money from the Internal Lending Program provides more flexibility.

Vice Chairman Hicks commented that this appears to be a worthwhile effort, but he cautioned that \$10 million may not solve the problem and may not be sustainable, and Chancellor McRaven said he believes this is the program that will make the most difference at the institutions, and he believes this is the best way to spend the money from the Internal Lending Program. Dr. Daniel said sustainability is key, and he noted if the program is successful, efforts will be made to keep it sustainable.

Regent Longoria commented that while she supports the concept and wants it to succeed, she thinks student success will be determined earlier than in four to six years as noted by Dr. Karoff.

Members of the Board, Chancellor McRaven, and Executive Vice Chancellor Kelley discussed the Internal Lending Program (previously known as the Central Bank), with Regents Longoria and Eltife asking questions about transparency, interest rates charged to the institutions, and where the money comes from and where it goes. Chairman Foster and Chancellor McRaven committed to providing information before the next Board meeting to be sure the operations of the Internal Lending Program are clearly understood.

The Board then approved a one-time allocation of \$10 million from surplus funds generated through the U. T. System Internal Lending Program to support the Quantum Leap on Student Success.

Executive Summary

Request for Funds in Support of Quantum Leap #9 on Student Success

The future—the economic, civic, and social well-being—of the State of Texas depends on graduating more students with post-secondary degrees and credentials. In recognition that certain student outcomes across the U. T. System, particularly graduation rates, have remained stagnant and troublingly low, the Chancellor identified Student Success as the ninth Quantum Leap. He called for a new framework by which U. T. System administration and academic institutions would work to dramatically improve student outcomes.

The result is a new blueprint for *Making a Quantum Leap in Student Success*, developed collaboratively by the U. T. System Administration and institutional student success leaders. The blueprint is designed to address low-producing trends on student success through a collaborative, student-centric initiative that will be recognized throughout the nation for delivering on ambitious goals through robust metrics, policies, practices, and supports in place to enable students to complete their post-secondary educations—affordably, in a timely manner, and with demonstrated high-quality learning.

The U. T. System will leverage its resources to dramatically change student outcomes at the U. T. System academic institutions across the continuum of the student experience—from readiness, access, retention, graduation, and beyond—grounded in a vision for student success focused on preparation, finances, advising, and belonging. The initiative requires problem-solving with unprecedented levels of collaboration, institution-wide engagement, and shared responsibility. The design rests on a solid foundation of quality and equity, ensuring that each and every student is prepared and positioned to succeed in high-quality learning environments, supported by three pillars, and reinforced with data:

- **Finances:** The U. T. System will do everything in its power to ensure that no student drops out of college because of finances.
- **Advising:** Each and every student will receive the advising they need to follow clear pathways to degree completion and beyond.
- **Belonging:** Each and every student will feel like they belong in college. No student would be unable to persist or graduate because of a lack of engagement or a sense of not belonging.

In alignment with the Texas Higher Education Coordinating Board's *60X30TX Plan*, the U. T. System will (1) graduate more students, and (2) motivate and facilitate more students' earning degrees on time. The goal is to graduate students with the acumen and credentials to lead and succeed as workers, citizens, and community members, and the ability to navigate a complex and globally interdependent world.

Discussion

The requested funding will be awarded to the U. T. System academic institutions through a competitive process and along two funding tracks: Keystone and institution-specific

projects. All funded projects are expected to address one of the three research-identified pillars that form the foundation of the Chancellor's Student Success Quantum Leap: Finances, Advising, and Belonging.

1. **Keystone Projects** are a set of evidence-driven common projects that have proven effective at universities across the United States and Texas, and in which U. T. System institutions may elect to participate. These projects include:
 - a) **Graduation Help Desks:** This project will establish one-stop shops (virtual or brick and mortar) for students who encounter barriers in the path to timely graduation and have nowhere else to turn. Staff help students graduate on time by connecting them to the right people and resources across campus. This project is modeled after a successful program at U. T. Austin, which has shown strong results in a short period of time.
 - b) **Student Success Compacts:** This project will pilot student success compacts or graduation agreements. These agreements guarantee students can graduate in four years if they satisfy a number of requirements including, taking thirty semester credit hours per year; maintaining a certain GPA; regularly meeting with their advisor; following a pre-approved degree plan, and other additional requirements. If students meet all established requirements, they are guaranteed graduation in four years; otherwise the university will pay for the additional tuition expense. These programs generally target first-time, full-time freshman. Participating U. T. System institutions will be encouraged to develop agreements for other student cohorts, including transfer students.
 - c) **Student Engagement Initiatives:** This project will enable participating U. T. System institutions to intentionally build up and work to scale high-impact practices for more of their students. High-Impact Practices (HIPs) are engaged learning experiences that occur both in and beyond the classroom, and that have proven to increase student retention and completion, narrow the achievement gap between racial-ethnic groups, and deepen student learning and engagement. The more common HIPs include learning communities, service learning, on-campus employment, internships, undergraduate research, capstone experiences, and study abroad.
 - d) **Emergency Grant Funds:** In this project, participating U. T. System institutions will set aside funds in the form of grants to aid students in times of financial emergency. Research shows that emergency grant aid improves both retention and graduation rates, as well as providing students with a psychological boost from receiving support from their institution during a time of crisis.
2. **Institution-specific Projects** are under development by U. T. System academic institutions and are designed to address their specific needs, student populations, and contexts, identified through their data while also addressing one or more of the initiative pillars of finances, advising, and belonging.

All proposals submitted for funding must address the defining features of the Quantum Leap and include: a project description with evidence-based and proposed impact to one of the three pillars; articulation of how the project will move the institution beyond “business as usual” and be “quantum-leap worthy;” identification of the student population(s) to be served along with targets and goals for improved retention and completion; data and metrics used to evaluate progress; detailed budget; implementation plan and timeline; indication of how the project would be scalable and sustainable. Proposals will also need to address equity, quality, and how the project will contribute to greater institution-wide responsibility for student success.

Proposals will be vetted through the agile decision-making process identified by the Chancellor, which entails review by U. T. System, institutional experts, and executive leadership.

Measures of Success

The Student Success Quantum Leap proposes rigorous, data-driven assessment and evaluation, and includes the goal to identify a number of innovative metrics to measure the initiative’s defining features. The U. T. System and academic institutions will identify baseline data, benchmarks, goals, and targets for improvement in retention and graduation rates, disaggregated across diverse student populations. In addition, a number of affinity groups are being convened with institutional staff and faculty working alongside U. T. System leadership to develop metrics for determining progress in student outcomes and institutional effectiveness in terms of the initiative pillars—finances, advising, and belonging.

The experience of other universities, including U. T. Austin, reveals that it can take a minimum of two years to ascertain success for certain programs and interventions, and four to six years for impact on graduation rates. Each approved project will be extensively monitored along identified metrics and at regular intervals.

Budget

The requested \$10 million will come from the U. T. System Internal Lending Program, a non-Available University Funds source that allows for uses of U. T. System funds necessary to making projects successful at the academic institutions. The initial \$10 million is an important commitment and a start, allowing for piloting and seeding of a number of both proven and innovative projects that have yet to be tried. It will not be enough to address the significant student success challenges at the U. T. System academic institutions. The funding strategy for the Student Success Quantum Leap is to start with a bold set of projects, intentionally chosen because of their evidence-driven efficacy and potential to dramatically improve student outcomes through a focus on finances, advising and belonging.

Risk

The student success projects to be funded through the request are intended to be bold—quantum leaps—which, of necessity, entails risk. It is anticipated that not all of the projects will be successful, and that the initiative and the individual projects within it will undergo changes in direction. Those that are not successful will be phased out. Every effort will be made to scale those that are successful, contingent upon available funding.

7. U. T. System: Report on development performance for the U. T. System institutions

Vice Chancellor Safady reported on development performance of The University of Texas System institutions for Fiscal Year 2016 and made recommendations for advancing philanthropic support.

Regent Beck commented that in his experience, personal contact is the best way to raise money. Saying that it is impossible to make those contacts with the large number of potential donors, he suggested working with local groups to reach more people to raise more funds. Dr. Safady agreed, and she spoke about the important roles of volunteers on campuses, development boards, advisory councils, and boards of visitors, and about the shortage of frontline gift officers.

8. U. T. System: Discussion and appropriate action to enhance funding for development operations at U. T. System institutions to increase philanthropic capacity and support their respective missions by authorizing a maximum .60% allocation (60 basis points) from the market value of the Long Term Fund and related policy issues

Vice Chancellor Safady and Executive Vice Chancellor Kelley made presentations regarding the recommendation that the Board authorize a maximum .60% allocation (60 basis points) from the market value of the Long Term Fund (LTF) to provide more adequate funding for development operations at University of Texas System institutions to substantially increase philanthropic revenue to the 14 institutions. If approved, these new allocations must be used to augment and not to replace an institution's current development budget.

Regent Longoria asked if the additional money will go to the U. T. System institutions, and Dr. Safady answered affirmatively, and Regent Longoria moved approval of the recommendation. She later withdrew her motion, but asked Chairman Foster to consider her as a second if there were a more formal motion.

For the benefit of especially the new Regents, Vice Chairman Hicks spoke about the value of the LTF and said U. T. System's portion of the Permanent University Fund is worth about \$12 billion and the LTF endowment is worth approximately \$7 billion. He said the Board's decision today could perpetually benefit the institutions, and he noted this is one instance where all the money goes to the campuses. Saying that The University of Texas at Austin has the largest endowment, he asked President Fenves to speak about what difference the change in allocation would make.

President Fenves introduced Vice President for Development, Scott A. Rabenold, and Dr. Fenves said the permanent endowment at U. T. Austin is about \$3.5 billion, and for a university of its size, the institution is underendowed, so the goal is to double that endowment for the future sustainability of the university. Dr. Fenves remarked that distributions from the endowments support faculty, including the recruitment of top faculty, scholarships, innovative programs, and graduate studies.

He said there is no revenue stream directly related to development as is common at most other major universities, and this proposal is important to increase annual fundraising by 50% and to set the stage for a future capital campaign. Regent Aliseda asked if the Deans are supportive of the proposal, and Mr. Rabenold answered affirmatively.

Vice Chairman Hildebrand asked for confirmation that the institutions will commit to a 4:1 ratio on raising for the endowment and a requirement that each institution will have a thoughtful fundraising plan before any money is given, and if the plan is not adhered to, funding will be pulled. Vice Chancellor Safady confirmed that those matters were included in the proposed motion. She also said institutions can opt in or opt out in answer to a question from Regent Aliseda, and she confirmed all funds generated will be for the institutions.

Vice Chairman Hicks then read the following motion as was before members of the Board:

To enhance funding for development operations at U. T. System institutions and to increase philanthropic capacity and support their respective missions, I move that the U. T. System Board of Regents authorize a maximum allocation from Long Term Fund earnings of .60% (60 basis points) from the market value of the Long Term Fund.

I also move that the Board authorize the Chancellor or the Deputy Chancellor, following recommendations from the Vice Chancellor for External Relations and Executive Vice Chancellor for Academic or Health Affairs, to decide if or when a U. T. System institution is eligible to receive funding for development operations, with the expectation that certain criteria will be met, and that resulting funds raised will directly and significantly build endowments, and upon the further considerations:

1. Any institution requesting funds must establish fundraising goals and present a written plan, demonstrating an annual yield of a 4:1 ratio of new endowment dollars raised to the value of LTF basis points allocated above the base of a three-year average of endowment gifts during the Fiscal Years 2014, 2015, and 2016,
2. The institution must present a written case on how the 60 basis point LTF allocation will be applied towards personnel and programs that support institutional strategic priorities, including endowment goals,
3. The Vice Chancellor for External Relations will provide a summary of progress for each institution, in an annual report to the Board of Regents, including plans for remediation if progress is not made,
4. The institution must not supplant existing development funds with the new LTF allocation, and

5. The institution's adherence to the U. T. System-approved fundraising plan will be addressed in the Chancellor's annual performance appraisal of the president. By year four of implementation, the Chancellor or Deputy Chancellor will bring it to the Board to consider terminating ~~may terminate~~ access to the LTF allocation if endowment fundraising objectives are not met, unless a justifiable reason is presented.

Regent Longoria requested that the possible termination of access to the LTF allocation be brought to the Board, and Vice Chairman Hicks agreed to the friendly amendment as underlined above. Vice Chairman Hildebrand then seconded the motion, as revised, and Chairman Foster provided an opportunity for members of the Board to read the motion prior to the vote. The motion carried unanimously.

Allocated funds will be used to recruit and retain high-performing fundraising professionals and to invest in innovative philanthropic programs and operational enhancements. Since most U. T. System institutions currently elect to receive a maximum allocation of 20 basis points from their respective shares of the LTF for endowment administration and management, this request may result in an increase of approximately 40 additional basis points to increase fundraising capacity at each institution to a maximum of 60 basis points. Institutions that do not wish to participate in the maximum .60% allocation may opt out.

Philanthropy across U. T. System institutions constitutes a critical revenue stream to augment other income such as tuition and fees, sponsored research, clinical revenue, and more. Philanthropic dollars continue to account for a greater share of an institution's annual expenditures, and the need to increase private funding has never been more important.

Over the past three years, U. T. System institutions have realized more than \$1 billion annually in gifts, new pledges, and new testamentary commitments to provide funding for faculty positions and student scholarship support, to build or renovate buildings and labs, and to conduct groundbreaking research and launch new initiatives.

Even with the successes that U. T. System institutions have experienced, and even with a return on investment of more than \$8.31 for every dollar invested in the development office, the institutions have not achieved their full potential in an era when the need to raise more private funds is critical. Development offices at U. T. System institutions remain underfunded and understaffed compared to national peer averages.

Two out of every three public universities use some type of common mechanism to help fund philanthropic efforts. All university systems in Texas do so, as well, by placing an allocation on endowments, assessing fees on annual unrestricted or restricted gifts, or directing all or part of the short-term interest on restricted gifts to the development office. Although a .60% allocation from the market value of the LTF

would have a short-term negative impact on the purchasing power of the LTF, the long-term gains must be considered. As more funds are raised, the value of the LTF will continue to increase, and given the significant return on investment that development offices at U. T. System institutions have demonstrated over the years, the U. T. System views this allocation as a strategic investment in the future of U. T. institutions.

STANDING COMMITTEE REPORTS AND RECOMMENDATIONS TO THE BOARD.--

At 11:04 a.m., Chairman Foster announced the Board would hear the reports and recommendations of the Standing Committees, which are set forth on Pages 21 - 49.

REPORT OF THE AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE (Page 21).--Chairman Foster confirmed with Committee Chairman Hildebrand that there were no items from the Audit, Compliance, and Management Review Committee to report in Open Session.

1. U. T. System: Report on the Fiscal Year 2016 Annual Financial Report, including the report on the U. T. System Annual Financial Report Audit, and audits of U. T. Austin, U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, and U. T. Medical Branch - Galveston financial statements and for funds managed by The University of Texas Investment Management Company (UTIMCO)

This item was for consideration only by the Committee (see Committee Minutes for the Joint Meeting with the Finance and Planning Committee).

2. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration

There were no items referred from the Consent Agenda.

3. U. T. System: Approval of a consulting project to be performed by Deloitte Consulting LLP for U. T. Austin

This item was for consideration only by the Committee (see Committee Minutes).

4. U. T. System: Report on the Systemwide internal audit activities, including results of the executive travel and entertainment expenses and practice plan audits, and the status of Priority Findings and the Annual Audit Plan

This item was for consideration only by the Committee (see Committee Minutes).

5. U. T. System: Report on the Risk Finance Programs administered by the Office of Risk Management

This item was for consideration only by the Committee (see Committee Minutes).

6. U. T. System: Report on U. T. System Environmental Health and Safety Compliance

This item was for consideration only by the Committee (see Committee Minutes).

REPORT AND RECOMMENDATIONS OF THE FINANCE AND PLANNING COMMITTEE (Pages 22 - 29).--Committee Chairman Hicks reported that the Finance and Planning Committee met in Open Session to consider the matters on its agenda and to formulate recommendations for The University of Texas System Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders that follow were recommended by the Finance and Planning Committee and approved in Open Session by the U. T. System Board of Regents.

1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration

There were no items referred from the Consent Agenda.

2. U. T. System: Key Financial Indicators Report and Monthly Financial Report

This item was for consideration only by the Committee (see Committee Minutes).

3. U. T. System: Report on the Analysis of Financial Condition for Fiscal Year 2016

This item was for consideration only by the Committee (see Committee Minutes).

4. U. T. System Board of Regents: The University of Texas Investment Management Company (UTIMCO) Performance Summary Report and Investment Reports for the quarter ended November 30, 2016

The University of Texas Investment Management Company (UTIMCO) Performance Summary Report for the quarter ended November 30, 2016, is set forth on Page 24.

The Investment Reports for the quarter ended November 30, 2016, are set forth on Pages 25 - 28.

Item I on Page 25 reports activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the quarter was 1.53% versus its composite benchmark return of .28%. The PUF's net asset value increased by \$449 million during the quarter to \$18,329 million. The increase was due to \$180 million PUF Lands receipts, plus a net investment return of \$269 million. No distribution was made to the Available University Fund (AUF) during the quarter.

Item II on Page 26 reports activity for the General Endowment Fund (GEF) investments. The GEF's net investment return for the quarter was 1.77% versus its composite benchmark return of .28%. The GEF's net asset value increased by \$115 million during the quarter to \$8,615 million.

Item III on Page 27 reports activity for the Intermediate Term Fund (ITF). The ITF's net investment return for the quarter was negative .83% versus its composite benchmark return of negative 2.18%. The net asset value increased during the quarter to \$7,910 million due to net contributions of \$202 million, plus net investment return of negative \$68 million and less distributions of \$60 million.

All exposures were within their asset class and investment type ranges. Liquidity was within policy.

Item IV on Page 28 presents book and market values of cash, debt, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of institutional operating funds held in the Dreyfus and Fidelity money market fund, decreased by \$153 million to \$2,365 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: \$21 million versus \$20 million at the beginning of the period; equities: \$66 million versus \$74 million at the beginning of the period; and other investments: \$3 million versus \$12 million at the beginning of the period.

UTIMCO Performance Summary
November 30, 2016

	Net Asset Value 11/30/2016 (in Millions)	Periods Ended November 30, 2016 (Returns for Periods Longer Than One Year are Annualized)									
		Short Term		Year to Date		Historic Returns			Historic Returns		
		1 Mo	3 Mos	Fiscal	Calendar	1 Yr	3 Yrs	5 Yrs	10 Yrs		
ENDOWMENT FUNDS											
Permanent University Fund	\$ 18,329	1.20%	1.53%	1.53%	6.98%	6.00%	5.20%	7.07%	5.13%		
Permanent Health Fund	1,072										
Long Term Fund	7,544										
General Endowment Fund	8,616	1.33%	1.77%	1.77%	7.32%	6.47%	5.38%	7.25%	5.26%		
Separately Invested Funds	150										
Total Endowment Funds	27,095										
OPERATING FUNDS											
Intermediate Term Fund	7,910	(0.75%)	(0.83%)	(0.83%)	3.93%	3.07%	1.69%	3.91%	3.63%		
Short Term Fund and Debt Proceeds Fund	2,306										
Total Operating Funds	10,216										
Total Assets Under Management	\$ 37,311										
VALUE ADDED (Percent)											
Permanent University Fund		0.82%	1.25%	1.25%	1.60%	3.33%	1.49%	1.29%	1.92%		
General Endowment Fund		0.95%	1.49%	1.49%	1.94%	3.80%	1.67%	1.47%	2.05%		
Intermediate Term Fund		0.63%	1.35%	1.35%	0.86%	0.66%	1.08%	1.31%	2.07%		
Total Value Added		\$148	\$226	\$226	\$266	\$571	\$763	\$1,067	\$2,965		
Permanent University Fund		82	128	128	159	312	414	610	1,708		
General Endowment Fund		51	108	108	70	56	223	396	1,040		
Intermediate Term Fund		281	462	462	495	939	1,400	2,073	5,713		
Total Value Added		\$281	\$462	\$462	\$495	\$939	\$1,400	\$2,073	\$5,713		

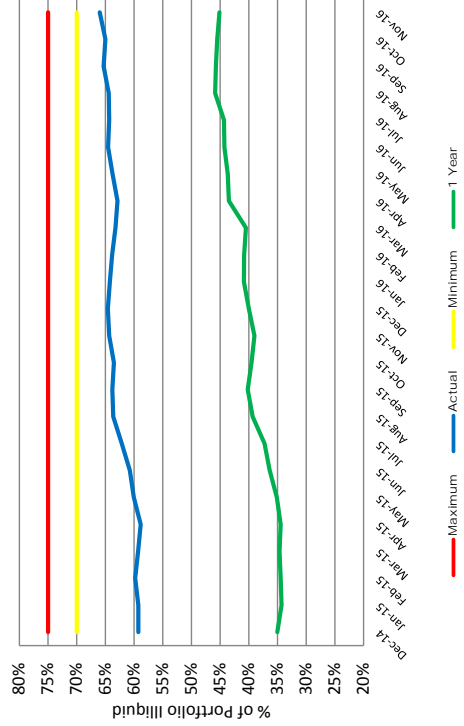
Footnote available upon request

I. PERMANENT UNIVERSITY FUND
Investment Reports for Periods Ended November 30, 2016
 Prepared in accordance with Texas Education Code Sec. 51.0032

	Fiscal Year to Date						
	Asset Allocation		Returns		Value Added		
	Actual	Policy	Portfolio	Policy Benchmark	Tactical Allocation	Active Management	Total
More Correlated and Constrained:							
Investment Grade	7.0%	6.8%	-4.81%	-6.12%	-0.05%	0.09%	0.04%
Credit-Related	0.1%	0.0%	-4.92%	-1.14%	0.00%	0.00%	0.00%
Real Estate	1.5%	1.9%	-7.17%	-9.18%	0.05%	0.04%	0.09%
Natural Resources	6.0%	6.3%	1.55%	-1.94%	-0.02%	0.23%	0.21%
Developed Country	13.2%	15.1%	3.42%	0.00%	-0.08%	0.51%	0.43%
Emerging Markets	<u>9.2%</u>	<u>9.6%</u>	<u>-2.44%</u>	<u>-3.15%</u>	<u>0.00%</u>	<u>0.05%</u>	<u>0.06%</u>
Total More Correlated and Constrained	37.0%	39.7%	-0.50%	-2.54%	-0.10%	0.92%	0.82%
Less Correlated and Constrained	25.2%	28.1%	1.52%	0.46%	0.04%	0.23%	0.27%
Private Investments	<u>37.8%</u>	<u>32.2%</u>	<u>3.64%</u>	<u>3.64%</u>	<u>0.18%</u>	<u>-0.02%</u>	<u>0.16%</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>1.53%</u>	<u>0.28%</u>	<u>0.12%</u>	<u>1.13%</u>	<u>1.25%</u>

Summary of Capital Flows		
(\$ millions)	Fiscal Year Ended	Fiscal Year Ended
	August 31, 2016	August 31, 2017
Beginning Net Assets	\$17,490	\$17,880
PUF Lands Receipts	512	180
Investment Return (Net of Expenses)	651	269
Distributions to AUF	(773)	0
Ending Net Assets	<u>\$17,880</u>	<u>\$18,329</u>

Permanent University Fund
Actual Illiquidity vs. Trigger Zones



II. GENERAL ENDOWMENT FUND
Investment Reports for Periods Ended November 30, 2016
 Prepared in accordance with Texas Education Code Sec. 51.0032

	Fiscal Year to Date			Returns			Value Added			
	Asset Allocation			Portfolio			Policy Benchmark			
	Actual	Policy		Portfolio	Policy Benchmark		Tactical Allocation	Active Management	Total	
More Correlated and Constrained:										
Investment Grade	5.8%	6.8%	-4.57%	-6.12%			-0.04%	0.11%	0.07%	
Credit-Related	0.1%	0.0%	-4.92%	-1.14%			0.00%	0.00%	0.00%	
Real Estate	1.5%	1.9%	-7.16%	-9.18%			0.05%	0.04%	0.09%	
Natural Resources	6.0%	6.3%	1.63%	-1.94%			-0.02%	0.23%	0.21%	
Developed Country	13.4%	15.1%	3.42%	0.00%			-0.07%	0.50%	0.43%	
Emerging Markets	<u>9.7%</u>	<u>9.6%</u>	<u>-0.16%</u>	<u>-3.15%</u>			<u>0.00%</u>	<u>0.27%</u>	<u>0.27%</u>	
Total More Correlated and Constrained	36.5%	39.7%	0.13%	-2.54%			-0.08%	1.15%	1.07%	
Less Correlated and Constrained	25.6%	28.1%	1.52%	0.46%			0.04%	0.22%	0.26%	
Private Investments	37.9%	32.2%	3.64%	3.64%			0.18%	-0.02%	0.16%	
Total	100.0%	100.0%	1.77%	0.28%			0.14%	1.35%	1.49%	

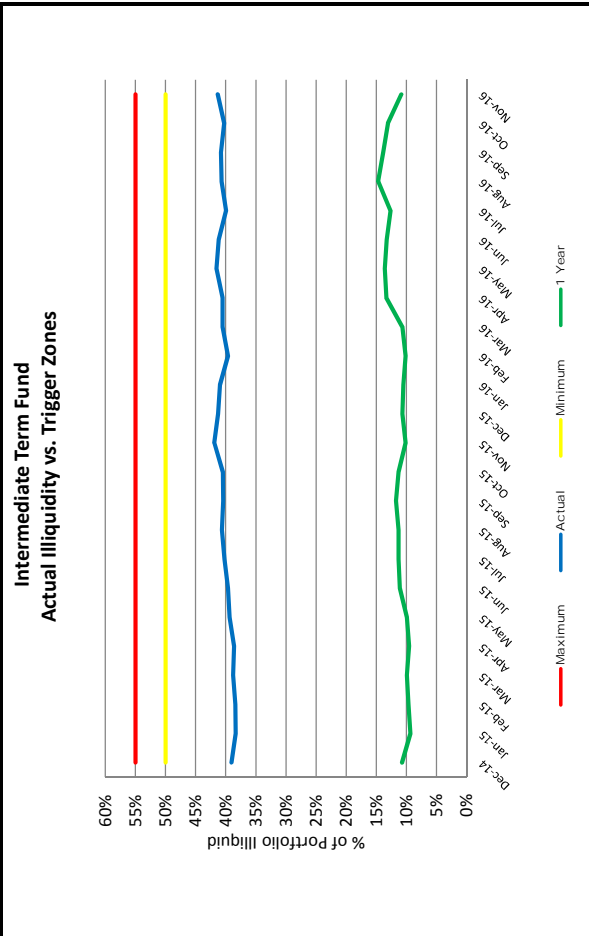
Summary of Capital Flows			
	Fiscal Year Ended August 31, 2016	Quarter Ended November 30, 2016	Fiscal Year Ended November 30, 2016
Beginning Net Assets (\$ millions)	\$8,237	\$8,500	\$8,500
Contributions	361	75	75
Withdrawals	(21)	(3)	(3)
Distributions	(411)	(107)	(107)
Investment Return (Net of Expenses)	334	150	150
Ending Net Assets	<u>\$8,500</u>	<u>\$8,615</u>	<u>\$8,615</u>

General Endowment Fund
Actual Illiquidity vs. Trigger Zones

% of Portfolio Illiquid

III. INTERMEDIATE TERM FUND
Investment Reports for Periods Ended November 30, 2016
 Prepared in accordance with Texas Education Code Sec. 51.0032

	Fiscal Year to Date					
	Asset Allocation			Returns		
	Actual	Policy	Portfolio	Policy Benchmark	Tactical Allocation	Active Management
More Correlated and Constrained:						
Investment Grade	30.2%	30.0%	-5.32%	-6.12%	-0.06%	0.25%
Credit-Related	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%
Real Estate	2.3%	2.4%	-7.11%	-9.18%	0.01%	0.05%
Natural Resources	5.7%	5.8%	1.35%	-1.94%	-0.04%	0.20%
Developed Country	9.9%	10.5%	3.42%	0.00%	-0.06%	0.35%
Emerging Markets	6.5%	6.3%	-0.13%	-3.15%	0.02%	0.17%
Total More Correlated and Constrained	54.6%	55.0%	-2.67%	-4.31%	-0.13%	1.02%
Less Correlated and Constrained	45.4%	45.0%	1.52%	0.46%	-0.05%	0.51%
Private Investments	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%
Total	100.0%	100.0%	-0.83%	-2.18%	-0.18%	1.53%
						0.19%
						0.00%
						0.06%
						0.16%
						0.29%
						0.19%
						0.89%



	Summary of Capital Flows	
	Fiscal Year Ended August 31, 2016	Fiscal Year Ended August 31, 2017
Beginning Net Assets (\$ millions)	\$7,037	\$7,836
Contributions	1,009	290
Withdrawals	(248)	(88)
Distributions	(220)	(60)
Investment Return (Net of Expenses)	<u>258</u>	<u>(68)</u>
Ending Net Assets	<u>\$7,836</u>	<u>\$7,910</u>

IV. SEPARATELY INVESTED ASSETS
Summary Investment Report at November 30, 2016
 Report prepared in accordance with *Texas Education Code Sec. 51.0032*

ASSET TYPES	(\$ thousands)																			
	CURRENT PURPOSE DESIGNATED		RESTRICTED		ENDOWMENT & SIMILAR FUNDS		ANNUITY & LIFE INCOME FUNDS		AGENCY FUNDS		TOTAL EXCLUDING OPERATING FUNDS		OPERATING FUNDS (DEBT PROCEEDS AND (SHORT TERM FUND))				TOTAL			
	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET		
Cash & Equivalents:																				
Beginning value 08/31/16	-	4,676	-	4,677	60,334	60,334	2,832	2,832	1,952	1,952	69,794	69,795	2,447,850	2,447,850	2,517,644	2,517,645				
Increase/(Decrease)	-	(2,433)	-	(2,434)	(7,570)	(7,570)	(1,193)	(1,193)	16	16	(11,180)	(11,181)	(141,559)	(141,277)	(152,739)	(152,458)				
Ending value 11/30/16	-	2,243	-	2,243	52,764	52,764	1,639	1,639	1,968	1,968	58,614	58,614	2,306,291	2,306,573	2,364,905	2,365,187				
Debt Securities:																				
Beginning value 08/31/16	-	-	7	6	10,883	11,217	9,050	8,764	-	-	19,940	19,987	-	-	19,940	19,987				
Increase/(Decrease)	-	-	-	-	1,228	738	181	(109)	-	-	1,409	629	-	-	1,409	629				
Ending value 11/30/16	-	-	7	6	12,111	11,955	9,231	8,655	-	-	21,349	20,616	-	-	21,349	20,616				
Equity Securities:																				
Beginning value 08/31/16	-	-	161	2,321	49,828	59,636	12,132	12,443	-	-	62,121	74,400	-	-	62,121	74,400				
Increase/(Decrease)	-	-	202	187	(7,448)	(7,745)	(308)	(362)	-	-	(7,554)	(7,920)	-	-	(7,554)	(7,920)				
Ending value 11/30/16	-	-	363	2,508	42,380	51,891	11,824	12,081	-	-	54,567	66,480	-	-	54,567	66,480				
Other:																				
Beginning value 08/31/16	-	-	6,262	6,262	2	2	3	3	5,416	5,416	11,683	11,683	-	-	11,683	11,683				
Increase/(Decrease)	-	-	(4,308)	(4,308)	5	5	2	2	(4,540)	(4,540)	(8,841)	(8,841)	-	-	(8,841)	(8,841)				
Ending value 11/30/16	-	-	1,954	1,954	7	7	5	5	876	876	2,842	2,842	-	-	2,842	2,842				
Total Assets:																				
Beginning value 08/31/16	-	-	11,106	13,266	121,047	131,189	24,017	24,042	7,368	7,368	163,538	175,865	2,447,850	2,447,850	2,611,388	2,623,715				
Increase/(Decrease)	-	-	(6,539)	(6,555)	(13,785)	(14,572)	(1,318)	(1,662)	(4,524)	(4,524)	(26,166)	(27,313)	(141,559)	(141,277)	(167,725)	(168,590)				
Ending value 11/30/16	-	-	4,567	6,711	107,262	116,617	22,699	22,380	2,844	2,844	137,372	148,552	2,306,291	2,306,573	2,443,663	2,455,125				

Details of individual assets by account furnished upon request.

5. U. T. System: Approval of \$13.6 million of Available University Funds (AUF) a) for the upgrade implementation of the UTShare Human Resource and Finance enterprise system; b) for the upgrade implementation of the Student Information System (SIS); and c) to provide basic campus and implementation support to U. T. Rio Grande Valley; and finding that the expenditure of AUF for this purpose is appropriate (Deferred)

This item, related to a request for \$13.6 million of Available University Funds (AUF) for implementation of various software systems at The University of Texas System academic institutions and U. T. System Administration, was deferred.

6. U. T. System: Report on the Fiscal Year 2016 Annual Financial Report, including the report on the U. T. System Annual Financial Report Audit, and audits of U. T. Austin, U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, and U. T. Medical Branch - Galveston financial statements and for funds managed by The University of Texas Investment Management Company (UTIMCO)

This item was for consideration only by the Committee (see Committee Minutes for the Joint Meeting with the Audit, Compliance, and Management Review Committee).

REPORT AND RECOMMENDATIONS OF THE ACADEMIC AFFAIRS COMMITTEE

(Pages 30 - 33).--Committee Chairman Aliseda reported that the Academic Affairs Committee met in Open Session to consider those matters on its agenda and to formulate recommendations for The University of Texas System Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Order that follows were recommended by the Academic Affairs Committee and approved in Open Session by the U. T. System Board of Regents.

1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, referred for Committee consideration

There were no items referred from the Consent Agenda.

2. U. T. San Antonio: Approval to establish a Doctor of Philosophy degree program in Civil Engineering

Pursuant to the Regents' *Rules and Regulations*, Rule 40307, related to academic program approval standards, the Board granted approval to

- a. establish a Doctor of Philosophy degree program in Civil Engineering at The University of Texas at San Antonio; and
- b. submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action.

Program Description

The Ph.D. in Civil Engineering at U. T. San Antonio will be a collaborative educational and research effort with the Southwest Research Institute (SwRI), which is one of the oldest and largest independent, nonprofit, applied research and development organizations in the United States. In 2016, SwRI sponsored more than \$7.4 million in internal research to develop innovative technologies. The educational objectives are to produce graduates who have advanced technical knowledge in civil engineering and to develop research and educational skills that are essential to the growth of San Antonio and the State of Texas. The program includes a requirement for students to complete 60 semester credit hours beyond the master's degree. Courses have been designed to provide advanced training in areas considered to form the foundation for the disciplines of civil engineering, namely structures, geotechnical, transportation, and water resources.

Need and Student Demand

According to the U.S. Bureau of Labor Statistics *Occupational Outlook Handbook*, between 2014-2024, nationwide employment of civil engineers is projected to increase by 8%, adding approximately 10,600 jobs per year due to growth and

replacement. In addition, nationwide employment of postsecondary engineering faculty in general is estimated to increase by 13% (or 1,420 job openings annually). Similarly, the Texas Workforce Commission projects the number of civil engineering jobs to increase by 24% during the same 10-year period.

The number of civil engineering jobs in Texas requiring a graduate degree has increased significantly over the last five years. Based on a search of job postings from 2011 to 2015 (job market analytics provided by Burning Glass Technologies), the number of jobs increased from 983 jobs in 2011 to 1872 in 2015.¹ During that same period, Texas institutions of higher education produced, on average, 560 master's degree graduates and 85 doctoral degree graduates each year,² falling considerably short of the workforce demand. By these calculations, an unmet need already exists, and the gap between the demand for civil engineering expertise in the workforce and the supply of advanced civil engineering degree graduates will likely widen.

Currently, civil engineering Ph.D. graduates are obtaining jobs with little difficulty. Civil engineering programs across the country reported that, overall, 97% of their Ph.D. graduates were employed within six months of completion of the degree. In addition, all programs indicated plans to hire new Ph.D. graduates within the next two to three years.

Program Quality

Eighteen core faculty and 10 support faculty from the Civil and Environmental Engineering Department at U. T. San Antonio will support the Ph.D. program. Two new faculty were hired for Fiscal Year 2017, and there are plans to add another faculty member in the future, as positions become available. Between 2011-2015, the core faculty was awarded approximately \$1.5 million a year in external grants. This number has been on the rise, with \$120,000 in research expenditures per faculty and nearly \$250,000 in awards per faculty for FY 2015, which was an all-time high. In the past five years, the core faculty have produced 179 refereed papers and six book chapters. The Department has demonstrated graduate education administration competency by successfully managing a Ph.D. program in Environmental Science and Engineering. The program will be offered with support from the SwRI, which adds another dimension of expertise and research strength. The College of Engineering (COE) already has one Ph.D. program in Physics with SwRI, and this collaboration already has a proven path to success.

The Civil and Environmental Engineering (CEE) Department has modern office, laboratory, and classroom facilities. In 2006, the administrative and faculty offices were moved from the Engineering Building to the new Biotechnology, Sciences and Engineering building. Additional office, laboratory, and classroom facilities were

¹ The numbers noted above are very conservative estimates of job postings in the field of civil engineering, because many graduates can work in other job categories not specifically defined as civil engineering such as structural engineer, transportation engineer, etc.

² From American Society of Engineering Education (ASEE) Engineering Data Management System <http://edms.asee.org/queries/>.

allocated to the CEE Department in 2010, when the new Applied Engineering Technology building was opened. A new 50-foot hydraulic flume is currently being constructed with the capacity for laser technology enhancement. With the completion of the new Science and Engineering Building in 2020, civil engineering students will have access to state-of-the-art fluids, instrumentation and controls, and design and fabrication (maker) space to complete teaching and research activities. In addition, a state-of-the-art \$10 million high bay facility will be constructed by 2019 to support large-scale structural testing.

U. T. San Antonio has been in the forefront of preparing Hispanic students at both the undergraduate and graduate levels. The percentage of U. T. San Antonio Hispanic M.S. and Ph.D. graduates is 34% and 18%, respectively. U. T. San Antonio’s COE and CEE departments are committed to recruiting and retaining highly qualified graduate students of diverse backgrounds. U. T. San Antonio’s COE has an excellent reputation of attracting minorities to its graduate degree programs. In 2014, it ranked as the fifth *Best Engineering School for Diversity Practices* in the nation, according to the *Hispanic Business Magazine*.

The CEE Department has a diverse faculty, including 25% Hispanic and 13% women. The Department has been educating an increasing number of students at both the B.S. in Civil Engineering (BSCE) and M.S. levels. In 2011, the BSCE graduating class size reached the 80th percentile nationwide and it is currently the fifth largest in Texas. The M.S. program has also experienced a steady increase in graduates. Since Fall 2012, over 30% of the enrolled M.S. students have been Hispanic. Students will be recruited from existing civil engineering master’s populations; part-time students with San Antonio civil engineering firms, SwRI, the U.S. Air Force; other Texas universities without master’s and doctoral programs in civil engineering; and students from other universities with M.S. and Ph.D. programs.

Revenue and Expenses

Projected Enrollment	5-Year Total
Number of Full-Time Student Equivalents (FTSE) Used for Formula Funding Calculation	85
Number of Full-Time Student Equivalents	47

Expenses	5-Year Total
<i>Faculty</i>	
Salaries	\$340,000
Benefits	\$61,200

<i>Graduate Students</i>	
TA Salaries	\$1,060,000
TA Benefits	\$143,100
GRA Salaries	\$770,000
GRA Benefits	\$103,950
<i>Staff & Administration</i>	
Graduate Coordinator Salary	\$5,000
Administrative Staff Salaries	Existing
Staff Benefits	Existing
<i>Other Expenses</i>	
Equipment	\$300,000
Total Expenses	\$2,783,250

Revenue	5-Year Total
<i>From Student Enrollment</i>	
Formula Funding	\$1,746,432
Tuition and Fees	\$1,668,552
<i>From Institutional Funds</i>	
Provost Graduate Student Support	\$2,805,000
<i>From Grant Funds</i>	
Not required	\$0
<i>From Other Revenue Sources</i>	
Provost and Dean – Start-up packages	\$300,000
Total Revenue	\$6,519,984

Coordinating Board Criteria

The program meets all applicable Coordinating Board criteria for new doctoral degree programs.

3. U. T. System: Report on Faculty Workload at the academic institutions for Academic Year 2015-2016

This item was for consideration only by the Committee (see Committee Minutes).

REPORT OF THE HEALTH AFFAIRS COMMITTEE (Page 34).--Chairman Foster confirmed with Interim Committee Chairman Tucker that there were no items from the Health Affairs Committee to report in Open Session.

1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration

There were no items referred from the Consent Agenda.

2. U. T. Rio Grande Valley: Report on the U. T. Rio Grande Valley School of Medicine

This item was for consideration only by the Committee (see Committee Minutes).

3. U. T. M. D. Anderson Cancer Center: Report on Translational Research Accelerator, the research platform for the Moon Shots Program

This item was for consideration only by the Committee (see Committee Minutes).

REPORT AND RECOMMENDATIONS OF THE FACILITIES PLANNING AND CONSTRUCTION COMMITTEE (Pages 35 - 48).--Interim Committee Chairman Beck reported that the Facilities Planning and Construction Committee met in open session to consider those matters on its agenda and to formulate recommendations for The University of Texas System Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders that follow were recommended by the Facilities Planning and Construction Committee and approved in Open Session by the U. T. System Board of Regents.

1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration

There were no items referred from the Consent Agenda.

2. U. T. Permian Basin: Kinesiology Building - Amendment of the FY 2017-2022 Capital Improvement Program to include project (Preliminary Board approval)

The Board amended the Fiscal Year 2017-2022 Capital Improvement Program (CIP) to include the Kinesiology Building project at The University of Texas of the Permian Basin as follows:

Project No.:	501-918	
Project Delivery Method:	Competitive Sealed Proposals	
Milestone Dates:	Definition Phase Approved	September 2016
	Addition to CIP	February 2017
	Design Development	August 2017
	Notice to Proceed	December 2017
	Substantial Completion	June 2019
Total Project Cost:	<u>Source</u>	<u>Current</u>
	Permanent University Fund Bond Proceeds	\$14,200,000
	Gifts ¹	<u>\$ 2,000,000</u>
		\$16,200,000
Funding Note:	¹ Gifts are fully collected	
Investment Metrics:	<ul style="list-style-type: none"> • Increase the number of Kinesiology students from 300 to 600 and Athletic Training majors from 30 to 90 by 2025 • Increase Kinesiology graduates from 75 to 180 undergraduates and from 6 to 12 graduates by 2025 • Increase tenured and tenure-track faculty members from 4 to 8 by 2025 • Add \$10,000,000 in research grant funding and \$1,000,000 from community funding through wellness testing by 2027 	

Project Advocate:	James Eldridge, Professor and Chair of Kinesiology	
Definition Phase Completed:	Yes	
Project Planning:	Owner's Project Requirements	Yes
	Basis of Design	Yes
	Schematic Plans	In progress
	Detailed Cost Estimate	In progress
	Facilities Program	Yes

Cost Per Gross Square Foot Benchmarks*

Kinesiology Building	\$361
Texas Higher Education Coordinating Board Average for Classroom, General	\$427

	Low Quartile	Median	High Quartile
Other U. T. System Projects	\$312	\$385	\$441
Other National Projects	\$275	\$347	\$456

* All benchmark costs escalated to midpoint of construction

Previous Actions

On September 8, 2016, the Chancellor approved this project for Definition Phase. On November 10, 2016, the Board of Regents approved \$14,200,000 from Permanent University Fund Bond Proceeds as a funding source for the Kinesiology Building.

Project Description

This project will construct a new approximately 31,383 gross square foot facility to house the Kinesiology Department's classrooms, labs, offices and storage areas, as well as classrooms and labs for the athletic training majors. It will also include a strength and conditioning center for kinesiology, athletics, and student recreational use.

The Kinesiology Department is experiencing great growth in the area of exercise sciences. The facility will provide classrooms designed specifically for exercise physiology, biomechanics, and athletic training courses to enhance access to teaching and training tools, including skeletons and anatomical models. New state-of-the-art laboratories will enhance the Department's ability to apply for research grant funding and to recruit undergraduate and graduate-level students.

This project has been approved by University of Texas System staff and meets the criteria for inclusion in the CIP. Approval of design development plans and authorization of expenditure of funding will be presented to the Board for approval at a later date.

3. U. T. Southwestern Medical Center: William P. Clements Jr. University Hospital Expansion - Amendment of the FY 2017-2022 Capital Improvement Program to include project (Preliminary Board approval)

The Board amended the Fiscal Year 2017-2022 Capital Improvement Program (CIP) to include the William P. Clements Jr. University Hospital Expansion project at The University of Texas Southwestern Medical Center as follows:

Project No.:	303-1035	
Institutionally Managed:	Yes	
Project Delivery Method:	Construction Manager-at-Risk	
Milestone Dates:	Definition Phase Approved	May 2016
	Addition to CIP	February 2017
	Design Development	May 2017
	Notice to Proceed	July 2017
	Substantial Completion	February 2020
Total Project Cost:	<u>Source</u>	<u>Current</u>
	Revenue Financing System Bond Proceeds ¹	\$400,000,000
	Designated Funds ²	<u>\$ 80,000,000</u>
		\$480,000,000
Funding Notes:	¹ Revenue Financing System (RFS) to be repaid from Hospital Revenues	
	² Designated Funds from institutional funds	
Investment Metrics:	<ul style="list-style-type: none"> • Create best-in-class multidisciplinary care model across all disciplines, located in a single facility • Establish Clements University Hospital as a destination high acuity quaternary care hospital 	
Project Advocates:	John Warner, Vice President and Chief Operating Officer, University Hospitals	
Definition Phase Completed:	Yes	
Project Planning:	Owner's Project Requirements	Yes
	Basis of Design	Yes
	Schematic Plans	Yes
	Detailed Cost Estimate	Yes
	Facilities Program	Yes

Cost Per Gross Square Foot Benchmarks*

William P. Clements Jr. University Hospital Expansion	\$439
Texas Higher Education Coordinating Board Average for Healthcare Facility, Hospital	\$475

	Low Quartile	Median	High Quartile
Other U. T. System Projects	\$492	\$535	\$543
Other Texas Projects	\$756	\$828	\$901
Other National Projects	\$616	\$798	\$934

* All benchmark costs escalated to midpoint of construction

Cost Per Bed Benchmarks*

William P. Clements Jr. University Hospital Expansion	\$971,692
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	Low Quartile	Median	High Quartile
Other U. T. System Projects	\$1,119,476	\$1,337,302	\$1,580,151
Other Texas Projects	\$1,837,702	\$1,994,646	\$2,151,590
Other National Projects	\$1,178,292	\$1,680,901	\$2,498,630

* All benchmark costs escalated to midpoint of construction

Previous Action

On May 20, 2016, the Chancellor approved this project for Definition Phase.

Project Description

The William P. Clements Jr. University Hospital Expansion project will add an approximately 650,000 gross square foot, 12-story third tower and two parking structures with a total of approximately 2,150 parking spaces to the existing hospital. This project will allow for consolidation of inpatient services in one facility, as existing services at Zale Lipshy University Hospital will be moved to the Clements University Hospital.

This expansion will improve operational efficiency and lower the cost of care by eliminating redundant infrastructure across two hospitals, allowing for the leverage of investments made during the original construction to facilitate expansion at a lower cost with minimal disruption to existing operations. Besides consolidation of services currently offered at Zale Lipshy, the project will provide an additional 144 beds for a total of 292 beds. The addition of needed Emergency Room, Operating Room, and increased Imaging Services capacity will improve care and reduce costs.

This project has been approved by University of Texas System staff and meets the criteria for inclusion in the CIP. Approval of design development plans and authorization of expenditure of funding will be presented to the Board for approval at a later date. It has been determined that this project would best be managed by U. T. Southwestern Medical Center Facilities Management personnel who have the experience and capability to manage all aspects of the work.

4. U. T. Health Science Center - San Antonio: Cancer Therapy and Research Center (CTRC) Renovations - Amendment of the FY 2017-2022 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; and authorization of institutional management (Final Board approval)

The Board amended the Fiscal Year 2017-2022 Capital Improvement Program (CIP) to include the Cancer Therapy and Research Center (CTRC) Renovations project at The University of Texas Health Science Center at San Antonio as follows:

Project No.:	402-1094	
Institutionally Managed:	Yes	
Project Delivery Method:	Construction Manager-at-Risk	
Milestone Dates:	Definition Phase Approved	October 2016
	Addition to CIP	February 2017
	Design Development	March 2017
	Notice to Proceed	May 2017
	Substantial Completion	May 2018

Total Project Cost:	<u>Source</u>	<u>Current</u>
	Permanent University Fund Bond Proceeds ¹	\$12,000,000
	Designated Funds ²	<u>\$ 3,000,000</u>
		\$15,000,000

Funding Notes: ¹ Permanent University Fund (PUF) approved by Board on November 10, 2016
² Designated Funds from Facilities and Administrative revenue

Project Advocate: James D. Kazen, Executive Vice President for Facilities Planning and Operations

Definition Phase Completed: Yes

Project Planning:	Owner's Project Requirements	Yes
	Basis of Design	Yes
	Schematic Plans	Yes
	Detailed Cost Estimate	Yes
	Facilities Program	Yes

Cost Per Gross Square Foot

CTRC Renovations	\$337
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- a. amend the FY 2017-2022 CIP and approve a total project cost of \$15,000,000 with funding of \$12,000,000 from PUF Bond Proceeds and \$3,000,000 from Designated Funds;

- b. appropriate funds; and
- c. authorize U. T. Health Science Center - San Antonio to manage the project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts.

Previous Actions

On October 22, 2016, the Chancellor approved this project for Definition Phase. On November 10, 2016, the Board approved allocation of PUF Bond Proceeds for projects included in the Cancer Collaboration.

Project Description

The Cancer Therapy and Research Center (CTRC) Renovations project is intended to address the necessary improvements to the current facility to meet the program requirements for world-class cancer care set forth by U. T. Health Science Center - San Antonio and The University of Texas M. D. Anderson Cancer Center. These renovations include constructing a new and expanded pharmacy, a welcome center, a diagnostic center, a new patient and family service center, and a new infusion center. This project will also focus on addressing infrastructure issues to the building, including replacing air handlers, adding emergency generators, and replacing the entire roof.

This repair and rehabilitation project has been approved by University of Texas System staff and meets the criteria for inclusion in the CIP. Approval of design development plans and authorization of expenditure of funding will be presented to the President for approval at a later date. It has been determined that this project would best be managed by U. T. Health Science Center - San Antonio Facility Management personnel who have the experience and capability to manage all aspects of the work.

- 5. U. T. Arlington: Dining Facility - West Campus - Amendment of the FY 2017-2022 Capital Improvement Program to include project; approval of total project cost; approval of design development; appropriation of funds and authorization of expenditure; approval of institutional management; and resolution regarding parity debt (Final Board approval)

The Board amended the Fiscal Year 2017-2022 Capital Improvement Program (CIP) to include the Dining Facility - West Campus project and approved the recommendations for the project at The University of Texas at Arlington as follows:

Project No.: 301-1046

Institutionally Managed: Yes

Project Delivery Method: Construction Manager-at-Risk

Milestone Dates: Definition Phase Approved July 2016

Addition to CIP February 2017

Design Development February 2017

Notice to Proceed April 2017

Substantial Completion July 2018

Total Project Cost: Source Current

Revenue Financing System Bond Proceeds¹ \$15,500,000

Unexpended Plant Funds² \$ 5,500,000

\$21,000,000

Funding Notes: ¹ Revenue Financing System (RFS) to be repaid from food services and room rental revenue

² Unexpended Plant Funds from food services provider

Investment Metric:

- Directly support the University's Strategic Plan imperative of increasing enrollment to more than 43,000 students by 2020

Project Advocate: David Albart, Director of University Center

Definition Phase Completed: Yes

Project Planning: Owner's Project Requirements Yes

Basis of Design Yes

Schematic Plans Yes

Detailed Cost Estimate Yes

Facilities Program Yes

Cost Per Gross Square Foot Benchmarks*

Dining Facility - West Campus	\$374
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	Low Quartile	Median	High Quartile
Other Texas Projects, Dining	\$362	\$411	\$448
Other National Projects, Dining	\$297	\$364	\$382
Other U. T. System Projects, Student Center	\$401	\$415	\$429
Other National Projects, Student Center	\$384	\$461	\$535

* All benchmark costs escalated to midpoint of construction

- a. approve a total project cost of \$21,000,000;
- b. approve design development plans;
- c. appropriate funds and authorize expenditure of \$21,000,000 with funding of \$15,500,000 from RFS Bond Proceeds and \$5,500,000 from Unexpended Plant Funds;

- d. authorize U. T. Arlington to manage the project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts; and
- e. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
 - U. T. Arlington, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$15,500,000.

Debt Service

The \$15,500,000 in RFS debt will be repaid from food services and room rental revenue. Annual debt service on the \$15,500,000 RFS debt is expected to be \$940,000. The institution's debt service coverage is expected to be at least 2.3 times and average 2.7 times over FY 2017-2022.

Previous Action

On July 10, 2016, the Chancellor approved this project for Definition Phase.

Project Description

The 40,200 gross square foot two-story dining and student union facility will serve the needs of the West Campus area. The first floor will provide several seating areas totaling more than 350 seats supporting the main dining area, food preparation and cooking areas, walk-in coolers and freezers, and a manager's office. The second floor will contain a variety of flexible seating, meeting rooms for small banquets and student organizations, departmental, fraternity, and sorority meetings. Amenities include casual computer stations and charging stations at tables and lounge areas.

Currently, campus dining services venues are operating at full capacity. Future growth of the on-campus student population, including the concurrent opening of the Residence Hall - West Campus (Phase I) in Item 6, necessitates the request for this facility.

This project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. It has been determined that this project would best be managed by U. T. Arlington Facilities Management personnel who have the experience and capability to manage all aspects of the work.

6. U. T. Arlington: Residence Hall - West Campus (Phase I) - Amendment of the FY 2017-2022 Capital Improvement Program to increase total project cost; approval of design development; appropriation of funds and authorization of expenditure; and resolution regarding parity debt (Final Board approval)

The Board approved the recommendations for the Residence Hall - West Campus (Phase I) project at The University of Texas at Arlington as follows:

Project No.:	301-914		
Project Delivery Method:	Construction Manager-at-Risk		
Milestone Dates:	Definition Phase Approved	July 2016	
	Addition to CIP	November 2016	
	Design Development	February 2017	
	Notice to Proceed	April 2017	
	Substantial Completion	July 2018	
Total Project Cost:	<u>Source</u>	<u>Former</u>	<u>Current</u>
	Revenue Financing System Bond Proceeds ¹	\$34,500,000	\$40,000,000
	Auxiliary Enterprises Balances ²	<u>\$ 1,500,000</u>	<u>\$ 6,500,000</u>
		\$36,000,000	\$46,500,000
Funding Notes:	¹ Revenue Financing System (RFS) to be repaid from rental income		
	² Auxiliary Enterprises Balances from rental income and housing reserves		
Investment Metric:	<ul style="list-style-type: none"> • Directly support the University's Strategic Plan imperative of increasing enrollment to more than 43,000 students by 2020 		
Project Advocate:	Don Lange, Director of Auxiliary Operations and Logistics		
Definition Phase Completed:	Yes		
Project Planning:	Owner's Project Requirements	Yes	
	Basis of Design	Yes	
	Schematic Plans	Yes	
	Detailed Cost Estimate	Yes	
	Facilities Program	Yes	

Cost Per Bed Benchmarks*

Residence Hall - West Campus (Phase I)	\$69,030
College Planning & Management National Average for Residence Halls	\$91,436

	Low Quartile	Median	High Quartile
Other U. T. System Projects	\$66,997	\$84,951	\$100,467
Other Texas Projects	\$61,069	\$67,627	\$90,590

* All benchmark costs escalated to midpoint of construction

- a. amend the Fiscal Year 2017-2022 Capital Improvement Program (CIP) to increase the total project cost from \$36,000,000 to \$46,500,000;
- b. approve design development plans;
- c. appropriate funds and authorize expenditure of \$46,500,000 with funding of \$40,000,000 from RFS Bond Proceeds and \$6,500,000 from Auxiliary Enterprises Balances; and
- d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
 - U. T. Arlington, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$40,000,000.

Debt Service

The \$40,000,000 in RFS debt will be repaid from rental income. Annual debt service on the \$40,000,000 RFS debt is expected to be \$2.44 million. The institution's debt service coverage is expected to be at least 2.3 times and average 2.7 times over FY 2017-2022.

Previous Actions

On July 12, 2016, the Chancellor approved this project for Definition Phase. On November 10, 2016, the project was included in the CIP with a total project cost of \$36,000,000 with funding of \$34,500,000 from RFS Bond Proceeds and \$1,500,000 from Auxiliary Enterprises Balances.

Project Description

The four-story residence hall will offer 536 beds in double-occupancy rooms and is intended for freshman and sophomore students. Study suites, social areas with kitchens, a classroom, and other amenities that encourage educational opportunities through living-learning environments are included.

U. T. Arlington's Housing Master Plan indicates that the aging housing facilities have become functionally obsolete and should be replaced with new residence halls that offer high levels of living-learning experiences. The University currently has 3,819 beds on campus and is operating at 99% occupancy with a waiting list of 344 students. Concurrent with completion of this project, two dormitories, Brazos House and Trinity House offering 333 beds, will be closed and demolition is scheduled for FY 2019, resulting in a total of 4,022 beds provided by the institution. There are an additional 1,077 beds provided by private development on campus.

The total project cost has been increased based on current market conditions and validated by two project cost estimators.

7. U. T. Medical Branch - Galveston: Building 17 Expansion - Amendment of the FY 2017-2022 Capital Improvement Program to increase total project cost; approval to revise funding sources; and appropriation of funds and authorization of expenditure (Final Board approval)

The Board approved the recommendations for the Building 17 Expansion project at The University of Texas Medical Branch at Galveston as follows:

Project No.:	601-818	
Project Delivery Method:	Construction Manager-at-Risk	
Milestone Dates:	Addition to CIP	February 2014
	Design Development	February 2015
	Notice to Proceed	March 2017
	Substantial Completion	March 2018

Total Project Cost:	<u>Source</u>	<u>Former</u>	<u>Current</u>
	Permanent University Fund Bond Proceeds	\$ 30,500,000	\$ 30,500,000
	Revenue Financing System Bond Proceeds	\$ 11,500,000	\$ 11,500,000
	Hospital Revenues	\$ 0	\$ 7,920,937
		\$ 42,000,000	\$ 49,920,937

- Investment Metrics: By 2018
- Maintain competitive position in research funding by minimizing operating costs of Animal Resource Center through consolidation of animal facilities
 - Mitigate critical research assets from future flood damage

Project Advocate: Danny O. Jacobs, Executive Vice President and Provost, Dean of the School of Medicine

Definition Phase Completed: N/A

Project Planning:	Owner's Project Requirements	N/A
	Basis of Design	N/A
	Schematic Plans	N/A
	Detailed Cost Estimate	N/A
	Facilities Program	N/A

Cost Per Gross Square Foot Benchmarks*

Building 17 Expansion (with 20% Shell Space)	\$443
Building 17 Expansion (Estimated Total Finish-Out)	\$528
Texas Higher Education Coordinating Board Average, Laboratory Medical/Healthcare	\$481

	Low Quartile	Median	High Quartile
Other U. T. System Projects	\$436	\$509	\$606
Other Texas Projects	\$403	\$526	\$839
Other National Projects	\$456	\$543	\$830

* All benchmark costs escalated to midpoint of construction

- a. amend the Fiscal Year 2017-2022 Capital Improvement Program (CIP) to increase the total project cost from \$42,000,000 to \$49,920,937;
- b. revise funding sources to include Hospital Revenues; and
- c. appropriate funds and authorize expenditure of \$7,920,937 from Hospital Revenues.

Previous Actions

On December 12, 2013, the project was added to the CIP with a total project cost of \$42,000,000 with funding of \$30,500,000 from Permanent University Fund Bond Proceeds and \$11,500,000 from Revenue Financing System Bond Proceeds.

On February 12, 2015, the Board approved design development and authorized expenditure of funds.

Project Description

The facility, as originally approved, included two shelled floors at Levels 5 and 6. This increase in scope will finish out 9,628 gross square feet (GSF) on Level 6 for vivarium space including animal holding, procedure rooms, and a surgical suite needed to accommodate research space to support National Institutes of Health (NIH) grants for the Galveston National Laboratory. Additionally, a 1,147 GSF pedestrian sky bridge will be constructed to connect Building 17 to the adjacent Research Building (Building 19) to increase security and access for research.

Currently, 40% of U. T. Medical Branch's research depends on animal protocols each year. Maintaining adequately sized and state-of-the-art animal research facilities is essential to the University's ability to improve health by advancing biomedical science. This project will help to secure new grant funding, advance the goals of the Research Strategic Plan, and assure continued accreditation from the Association for Assessment and Accreditation of Laboratory Animal Care.

- 8. U. T. Medical Branch - Galveston: Biocontainment Critical Care Unit - Amendment of the FY 2017-2022 Capital Improvement Program to increase total project cost; approval to revise funding sources; and appropriation of funds and authorization of expenditure (Final Board approval)

The Board approved the recommendations for the Biocontainment Critical Care Unit project at The University of Texas Medical Branch at Galveston as follows:

Project No.:	601-1086		
Institutionally Managed:	Yes		
Project Delivery Method:	Construction Manager-at-Risk		
Milestone Dates:	Addition to CIP	August 2015	
	Design Development	December 2015	
	Notice to Proceed	March 2017	
	Substantial Completion	March 2018	
Total Project Cost:	<u>Source</u>	<u>Former</u>	<u>Current</u>
	General Revenue ¹	\$ 8,200,000	\$ 8,200,000
	Hospital Revenues	\$ 3,500,000	\$ 5,400,000
	Grants ²	\$ <u>0</u>	\$ <u>2,000,000</u>
		\$11,700,000	\$15,600,000

Funding Notes: ¹General Revenue appropriation from House Bill 2, 84th Legislature
²Grants from Texas Department of State Health Services

Project Advocate:	Donna Sollenberger, Executive Vice President and Chief Executive Officer	
Definition Phase Completed:	N/A	
Project Planning:	Owner's Project Requirements	N/A
	Basis of Design	N/A
	Schematic Plans	N/A
	Detailed Cost Estimate	N/A
	Facilities Program	N/A

Cost Per Gross Square Foot

Biocontainment Critical Care Unit	\$675
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- a. amend the Fiscal Year 2017-2022 Capital Improvement Program (CIP) to increase the total project cost from \$11,700,000 to \$15,600,000;
- b. revise funding sources to include Grants; and
- c. appropriate funds and authorize expenditure of \$3,900,000 with \$1,900,000 in additional funds from Hospital Revenues and \$2,000,000 from Grants.

Previous Action

On August 20, 2015, the project was included in the CIP with a total project cost of \$11,700,000 with funding of \$8,200,000 from General Revenue and \$3,500,000 from Hospital Revenues.

Project Description

The Biocontainment Critical Care Unit project was approved by the Board of Regents in response to the events of September 2014 surrounding the Ebola infectious disease pandemic. U. T. Medical Branch - Galveston established protocols and workflows related to preparedness for specialized patient management and received national designation as the regional care provider for Ebola and similar infectious diseases.

The initial scope, which allowed for the care of four patients, has been increased to a six-patient capacity as a result of further discussions with state and national health officials. The Biocontainment Critical Care Unit is designed with appropriate technology and systems capable of isolation, redundancy, and sustainable operations to provide patient care by staff under the duress of extended operations while under biocontainment isolation protocols.

REPORT OF THE TECHNOLOGY TRANSFER AND RESEARCH COMMITTEE

(Page 49).--Chairman Foster confirmed with Interim Committee Chairman Aliseda that there were no items from the Technology Transfer and Research Committee to report in Open Session.

1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration

There were no items referred from the Consent Agenda.

2. U. T. System: Report on U. T. System Office of Innovation and Strategic Investment Strategic Plan

This item was for consideration only by the Committee (see Committee Minutes).

APPROVAL OF STANDING COMMITTEE RECOMMENDATIONS.--At 11:06 a.m., the Board voted and unanimously approved the Standing Committee recommendations.

U. T. System Board of Regents: Chairman's comments regarding Regental Board and Committee service.--Chairman Foster recognized former Regent Cranberg for the following comments prior to presenting him with a certificate of appreciation, set forth below, for his service to The University of Texas System.

Comments by Former Regent Cranberg

It's good to be here again, and briefly see all of my great friends from the last six years. I appreciate the five minutes of indulgence to speak. I want to congratulate the new Regents and offer thanks to everyone for the last six years. This and past Boards, Francie [Frederick] and her staff, and the leadership teams at the System and the institutions have been an inspiration and a pleasure to work with. I especially want to thank the individuals who have worked so hard to answer my many questions. I have learned a ton, and much more remains to be learned and acted upon.

I look forward to being able to do even more with some fewer constraints. For example, I can for the first time in six years actually send an email directly to all of you without a telling-off from Francie. And I have a few emails yet to send, starting with the results of my study of UTRGV [U. T. Rio Grande Valley] tuition levels.

I have a couple of thoughts about the controversies of the recent past and then more fully to the future. Our System has done a great deal to restore lost integrity to the U. T. Austin admissions process once that loss had been discovered. Let us jealously guard that restoration. Frankly, if it had not been for one lonely Regent's insistent inquiries, we would be in a very different place. There are many who would prefer to shoot an unruly messenger than to take umbrage at his more genteel opposition. Many well-intentioned legislators and alums, students and faculty, were enticed into defending an office of the president to use all the tools of patronage to preserve itself, all while wrapped itself in a false flag of academic freedom and protection. That era, I hope, is past; its lessons learned. If we glorify the wrong version of history, we are doomed to repeat it.

But we can now focus even more fully on the extraordinary opportunities of our future. We are witnessing a historic collision between the blue collar and white collar worlds. Changes in job opportunities are rigging the system in favor of those with decent preparation, money, and connections to access college. It's not nearly enough to just keep some hundreds of admissions from being rigged. One out of six prime working age men without college has no paid work at all today. Do you know what is the probability that a black man in America has been incarcerated by the time he is 34? The number is 68%. For a supposedly privileged white man, it's still 28%. The core reason for that is that today, mobility and privilege comes from higher education. The only education category that wages are growing faster than

inflation over the past 20 years are those of four-year college graduates and postgraduates. The University of Texas is the dominant Texas institution for just that precious category, and we must do much much more.

Fifteen years ago, I made an offer to all 600 middle school students at Horseman Middle School in Denver that if they went to college, I would pay for their tuition. I just checked on the results of my offer. Unfortunately, it wasn't very generous, because my most recent update is that seven of these students have a four-year college degree, and two are still in school. There are probably another handful of college graduates that we couldn't track.

Now, Regents are supposed to be public's voice of governance, not just the voice of a few. It now seems to be an era of unruly messengers, not just Wallace [Hall], and many more of these in fact should be heard. They must be heard not for the messenger's sake, but because they happen to voice the frustrated longings of a people that is yearning for prosperity that will not be theirs. That is, unless more Americans receive more education and a better education. Our University cannot just point fingers at the other contributors to our country's difficulties. K-12 is a disaster area in far too many neighborhoods. Community colleges are not the answer, and neither is U. T. We can't just point fingers at the Legislature and complain about needing more money while our productivity continues to stagnate. We must find ways of being a bigger and disruptively new part of the solution. Let's please scrub our minds free of nostalgia and look freshly at what we can do with all of our tools and talents. We can preserve and protect what is working, enhance what should be improved, and also call on our leadership for bold, new arrangements. Thanks again for listening to my impatient, but heartfelt thoughts and learnings on this. It really is great to see all of you.

Regent Cranberg received a round of applause.

Chairman Foster noted that former Regent Pejovich was not able to be at the meeting and had asked him to read her remarks as follows:

Comments by Regent Pejovich

I would like to thank Governor Perry for appointing me to one of the highest honors in Texas public service. It is especially meaningful to me given the fact that I am the granddaughter and daughter of a POW [Prisoner of War] and immigrants from a communist country, a family who struggled through many hardships and ultimately established themselves in the United States. I am indeed living proof of the American dream.

My fellow Board Members, Chancellor, Presidents, faculty and staff, our accomplishments over the past six years have led The University of Texas System into a new era. Student success programs, the Dell Medical School, the new RGV [Rio Grande Valley] campus, the William P. Clements and Jennie Sealy hospitals, M. D. Anderson Moon Shots, the modernization of the University Lands, and too

many others to name. It has been an honor and a privilege to know you and work with you.

My final message is to the students: please know that you have been in the forefront of my mind with every decision I made as a Regent.

Thank you.

Chairman Foster asked members of the Board and audience to join him in recognizing six years of Board service by Regents Cranberg, Hall, and Pejovich. He said there have been many accomplishments during their terms of service, and it was appropriate to stand and acknowledge their efforts before this assembled group. Certificates of appreciation for the three Regents are set forth below.

CERTIFICATE OF APPRECIATION

to

ALEX M. CRANBERG

Upon the occasion of completion of
his term of service on the

Board of Regents
of
The University of Texas System

In appreciation for his six years of wise counsel,
conscientious stewardship, and dedicated service
to The University of Texas System

Regent, 2011 - 2017

Chairman, Health Affairs Committee, 2015 - 2017

Chairman, Facilities Planning and Construction Committee, 2013 - 2015

Chairman, University Lands Advisory Board, 2014 - 2017

Co-Chairman, Task Force on Engineering Education for
Texas for the 21st Century, 2012 - 2013

CERTIFICATE OF APPRECIATION

to

WALLACE L. HALL, JR.

Upon the occasion of completion of
his term of service on the

Board of Regents
of
The University of Texas System

In appreciation for his six years of wise counsel,
conscientious stewardship, and dedicated service
to The University of Texas System

Regent, 2011 - 2017

Chairman, Technology Transfer and Research Committee, 2013 - 2017

Board Liaison to the Governor's Office on
Technology Transfer and Commercialization, 2013 - 2017

Co-Chairman, Task Force on Intellectual Property, 2014 - 2015

Chairman, Task Force on Blended and Online Learning, 2011

CERTIFICATE OF APPRECIATION

to

BRENDA PEJOVICH

Upon the occasion of completion of
her term of service on the

Board of Regents
of
The University of Texas System

In appreciation for her seven years of wise counsel,
conscientious stewardship, and dedicated service
to The University of Texas System

Regent, 2010 - 2017

Chairman, Facilities Planning and Construction Committee, 2015 - 2017

Chairman, Audit, Compliance, and Management Review Committee, 2011 - 2015

Chairman, Task Force on Best Practices Regarding
University-Affiliated Foundation Relationships, 2012 - 2013

Chairman, Task Force on University Excellence and Productivity, 2011

RECESS TO EXECUTIVE SESSION PURSUANT TO TEXAS GOVERNMENT CODE, CHAPTER 551.--At 11:13 a.m., the Board recessed to Executive Session pursuant to *Texas Government Code* Sections 551.071, 551.072, 551.073, 551.074, and 551.076 to consider those matters listed on the Executive Session agenda.

RECONVENE IN OPEN SESSION TO CONSIDER ACTION, IF ANY, ON EXECUTIVE SESSION ITEMS.--The Board reconvened in Open Session at 12:16 p.m. to consider the following actions on Executive Session items.

1. U. T. Austin: Discussion regarding the lease or value of property related to the Brackenridge Tract, including Lions Municipal Golf Course, Austin, Travis County, Texas

No action was taken on this item.

2a. U. T. System Academic Institutions: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features

Regent Aliseda moved that the Board authorize the Vice Chancellor for External Relations, the Chancellor or Deputy Chancellor, and the President of The University of Texas at Austin to conclude negotiations necessary to finalize, approve, and accept gifts and to finalize and execute agreements with potential naming features for the benefit of U. T. Austin consistent with the terms and conditions outlined and recommended in Executive Session.

The motion was seconded by Vice Chairman Hicks and carried unanimously.

2b. U. T. System Health Institutions: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features

No action was taken on this item.

3. U. T. System Board of Regents: Discussion and appropriate action regarding safety and security issues, including security audits and the deployment of security personnel and devices

No action was taken on this item.

4a. U. T. System Board of Regents: Discussion with Counsel on pending legal issues

No action was taken on this item.

4b. U. T. System Board of Regents: Discussion and appropriate action regarding legal issues concerning pending legal claims by and against U. T. System

No action was taken on this item.

4c. U. T. Austin: Discussion regarding legal issues related to the Brackenridge Tract, including Lions Municipal Golf Course, Austin, Travis County, Texas

No action was taken on this item.

- 5a. U. T. Health Science Center - Houston: Discussion and appropriate action regarding proposed increase in compensation for Kenneth B. Mathis, M.D., Visiting Associate Professor, Department of Orthopedic Surgery (Regents' Rules and Regulations, Rule 20204, regarding compensation for highly compensated employees)

Regent Tucker moved that the Board approve the proposed increases in compensation for Dr. Kenneth B. Mathis, Visiting Associate Professor in the Department of Orthopedic Surgery at The University of Texas Health Science Center at Houston, within the parameters outlined and recommended in Executive Session.

She further moved that the Board find that this proposed compensation change is in the best interest of U. T. Health Science Center - Houston as required by state law.

The motion was seconded by Regent Aliseda and carried unanimously.

- 5b. U. T. System: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents (academic and health institutions), U. T. System Administration officers (Executive Vice Chancellors and Vice Chancellors), other officers reporting directly to the Board (Chancellor, General Counsel to the Board, and Chief Audit Executive), members of the Board of Regents, and U. T. System and institutional employees

No action was taken on this item.

SCHEDULED MEETING.--The next regularly scheduled meeting will be held on May 9-10, 2017, in Austin.

ADJOURNMENT.--There being no further business, the meeting was adjourned at 12:18 p.m.

/s/ Carol A. Felkel
Secretary to the Board of Regents

May 5, 2017