

Meeting No. 1,034

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

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June 20, 2008

Austin, Texas

MEETING NO. 1,034

FRIDAY, JUNE 20, 2008.--The members of the Board of Regents of The University of Texas System convened this special called meeting via telephone conference call at 9:30 a.m. on Friday, June 20, 2008, in the Board Room, Ninth Floor, Ashbel Smith Hall, 201 West Seventh Street, Austin, Texas, with the following participation:

ATTENDANCE.--

<u>Present</u>	<u>Absent</u>
Chairman Caven, presiding (in person)	Regent Gary
Vice Chairman Huffines (in person)	
Vice Chairman Rowling	
Regent Barnhill	
Regent Dannenbaum	
Regent Dower (in person)	
Regent Foster	
Regent Longoria	
Regent McHugh	

In accordance with a notice being duly posted with the Secretary of State and there being a quorum present, Chairman Caven called the meeting to order. He announced that an Executive Session was not needed and the Board took the following action on matters on the Executive Session agenda.

1a. U. T. Southwestern Medical Center - Dallas: Selection of Daniel K. Podolsky, M.D., as President-Designate

Vice Chairman Rowling moved that Daniel K. Podolsky, M.D., currently Chief Academic Officer of Partners Healthcare System, Inc., be selected President-Designate of The University of Texas Southwestern Medical Center at Dallas, and become President effective September 2, 2008, at a compensation commensurate with the responsibilities of the office, to be negotiated in accordance with University of Texas System policies by Chancellor Shine, and submitted to the Board for approval via the usual budgetary procedures.

Vice Chairman Rowling further moved that the Minutes reflect that, by approval of this motion, the Board has made a finding that, as required by State law, this appointment is in the best interest of U. T. Southwestern Medical Center - Dallas.

The motion was seconded by Regent Dannenbaum and carried by acclamation.

- 1b. 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, Chancellor ad interim, General Counsel to the Board, and Chief Audit Executive), and U. T. System and institutional employees

No discussion was held on this item.

AGENDA ITEMS

1. U. T. Permian Basin: Approval of Permanent University Funds for The Wagner Noël Performing Arts Center

Executive Vice Chancellor Kelley outlined the project funding for The Wagner Noël Performing Arts Center (PAC) at The University of Texas of the Permian Basin. He said the project is included in the Capital Improvement Program (CIP) at a total project cost of \$66 million (approved by the Board of Regents on August 23, 2007) with funding of \$45 million from Tuition Revenue Bonds, \$6.5 million from Permanent University Funds (PUF), and \$14.5 million from gifts. Dr. Kelley said the fundraising component of the project has been exceeded with \$20 million in pledges received to date and \$7.5 million has been acquired from the Texas Department of Transportation for total funding of approximately \$79 million. He reported a \$13 million endowment will support operating costs and he explained reasons for the increased construction costs and associated facility operating expenses for the project as summarized below. Executive Vice Chancellor Kelley stated that the community has agreed and has begun to raise matching funds that will equal \$1 for every \$1.50 allocated by The University of Texas System up to \$6 million.

Dr. Kelley further explained that the additional \$6 million requested from PUF in this agenda item and \$4 million in an additional fundraising campaign would bring the total project funding to \$89 million, with \$81 million for construction and \$8 million for operating costs.

Following discussion, the Board approved the allocation of up to \$6 million of PUF Bond Proceeds for the PAC, with Vice Chairman Rowling voting “no” based upon a concern about the allocation of additional funding in light of other needs.

The revision to the project funding along with design development approval will be presented to The University of Texas System Board of Regents at the

August 2008 meeting. U. T. Permian Basin requested that this allocation proceed at this time to demonstrate commitment to the local community to facilitate raising of additional private funds.

The price of oil has essentially doubled over the past eight months to an all-time high exceeding \$130 per barrel. As a result, oil field activity has boomed in the area. Construction labor and project management expertise remains in very short supply in this small, relatively isolated market with oil companies paying significantly more than area construction companies. Contractors working in this area must factor per diem expenses into their cost of work, as well as hourly wage premiums to attract craft labor away from their "home market" for the duration of the project.

The combined effect of higher oil prices, commodity escalation, and increased construction activity has resulted in proposals on local projects that vary significantly from existing pricing models of contractors, consultants, and the U. T. System Office of Facilities Planning and Construction. The U. T. Permian Basin Wagner Noël PAC project will require sophisticated subcontractors from outside the region, attracted by higher hourly salaries and per diem allowances for temporary accommodations. Labor contingencies continue to drive the early construction manager's estimates for this project. While final design development estimates will not be received until mid-July, it is anticipated that the initial CIP conceptual estimate of \$66 million will need to be increased approximately 22%.

2. U. T. Medical Branch - Galveston: Authorization to purchase approximately 29.39 acres of vacant land along IH 45, north of FM 646, in the Stephen F. Austin League, Abstract 3, League City, Galveston County, Texas, from LC Partners, L. P., a Texas limited partnership, for a purchase price not to exceed fair market value as established by independent appraisals to be used for programmed development that may include clinical, research, and academic facilities or other support or ancillary facilities

On behalf of The University of Texas Medical Branch at Galveston, the Board

- a. approved the purchase of approximately 29.39 acres of vacant land along IH 45, north of FM 646, in the Stephen F. Austin League, Abstract 3, League City, Galveston County, Texas, from LC Partners, L. P., a Texas limited partnership, for a purchase price not to exceed fair market value as established by independent appraisals, plus all due diligence expenses, closing costs, and other costs and expenses to complete the acquisition of the property as deemed necessary or advisable by the Executive Director of Real Estate for programmed development that may include clinical, research, and academic facilities or other support or ancillary facilities of U. T. Medical Branch - Galveston; and

- b. authorized the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

Regent Dannenbaum abstained from vote to eliminate any appearance of a conflict of interest since his company is involved in improvements to nearby FM 646.

LC Partners, L. P., a Texas limited partnership, owns the subject property consisting of approximately 29.39 acres of vacant land along IH 45, north of FM 646, in the Stephen F. Austin League, Abstract 3, League City, Galveston County, Texas. The property is immediately north of the 35.435-acre tract (the Victory Lakes Tract) purchased by the institution in August 2005, following approval of the purchase by the Board on November 4, 2004. On May 15, 2008, the Board approved an amendment to the FY 2008-2013 Capital Improvement Program to add the construction of a specialty care center on the Victory Lakes Tract.

The institution wishes to acquire the adjoining parcel to the Victory Lakes Tract to allow for future programmed development of the subject parcel, potentially in conjunction with the Victory Lakes Tract. Both parcels are in a growing area that includes residential property, secondary schools, commercial property, and soon-to-be developed senior care and housing facilities.

To fund the purchase, U. T. Medical Branch - Galveston will use institutional Medical Services, Research and Development Plans (MSRDP) Patient Care Revenue.

3. U. T. Pan American: Authorization to accept invitation from the Great West Conference and to negotiate and finalize terms for athletic conference membership

The Board authorized The University of Texas - Pan American to accept an invitation and to negotiate a contract for Great West Conference membership.

U. T. Pan American, a NCAA Division I member, has been without an athletic conference affiliation since 1998. The institution has been exploring conference affiliations for the past nine years and has been invited to join a new athletic conference to be formed by a few independent, comparable universities with which U. T. Pan American has been competing. Conference affiliation will benefit the University in many ways, including promotion of its

athletic programs regionally and nationally, NCAA compliance, better scheduling, more home games that will assist the campus in building rivalries between institutions, and offering a consistent avenue for post-season competition.

The institution should save on travel costs due to proposed creative scheduling. Additionally, U. T. Pan American has been competing against some of these same schools for several years so those costs are already a part of the budget.

4. U. T. Arlington, U. T. Health Science Center - Houston, and U. T. M. D. Anderson Cancer Center: Authorization to grant licenses to Oncor Electric Delivery Company LLC, a Delaware limited liability company, and to CenterPoint Energy Houston Electric LLC, a Texas limited liability company, to permit the licensees to place electrical distribution facilities on portions of the respective campuses to serve campus facilities

The Board authorized

- a. The University of Texas at Arlington, The University of Texas Health Science Center at Houston, and The University of Texas M. D. Anderson Cancer Center to enter into licenses with Oncor Electric Delivery Company LLC, a Delaware limited liability company, and CenterPoint Energy Houston Electric LLC, a Texas limited liability company, to permit the licensees to place electrical distribution facilities on portions of the respective campuses to serve campus facilities; and
- b. the Executive Director of Real Estate to execute the license agreements and such other related documents, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

Chairman Huffines abstained from discussion and vote because he serves on the board of Energy Future Holdings and Oncor Electric Delivery is an affiliated company. Regent Longoria also abstained from discussion and vote because she serves on the board of CenterPoint Energy.

License agreements as described below will allow campus construction projects to proceed on schedule:

- a. U. T. Arlington:
To enter into a license with Oncor Electric Delivery Company LLC, a Delaware limited liability company, to permit the licensee to place

electrical distribution facilities on a portion of the U. T. Arlington campus located at the northwest corner of South Davis Drive and West Mitchell Street, Arlington, Tarrant County, Texas, to provide for permanent electrical service to the Civil Engineering Laboratory Building, now under construction. The facility is scheduled to be completed and begin occupancy in August 2008, immediately prior to the Fall Semester. Without permanent electrical service, construction of the interior of the building will stop, leading to delays, cost increases, and disruptions during the academic year.

- b. U. T. Health Science Center - Houston:
To enter into a license with CenterPoint Energy Houston Electric LLC, a Texas limited liability company, to permit the licensee to place electrical distribution facilities on the U. T. Health Science Center - Houston campus at 6410 Fannin Street, Houston, Harris County, Texas, to provide for the continuation of electrical service in the event of a hurricane or other natural disaster. U. T. Health Science Center - Houston, in cooperation with other institutions in the Texas Medical Center, has relocated its electrical distribution facilities to aboveground locations to avoid service interruptions caused by floods and high winds. This license is necessary to connect these electrical distribution facilities to the power grid prior to the main portion of hurricane season.
- c. U. T. M. D. Anderson Cancer Center:
To enter into a license with CenterPoint Energy Houston Electric LLC to permit the licensee to place electrical distribution facilities at 1650 South Braeswood Boulevard, Houston, Harris County, Texas, to provide for permanent electrical service to the Braeswood Garage located at 1650 South Braeswood Boulevard, now under construction. The facility is scheduled to be completed and begin occupancy early in September 2008. Without permanent electrical service, construction of the facility will stop, leading to delays, cost increases, and service disruptions.

REMARKS BY CHAIRMAN CAVEN CONCERNING THE HEROISM OF THE LATE MR. ROGER STONE, THE UNIVERSITY OF TEXAS MEDICAL BRANCH AT GALVESTON.--Chairman Caven took a few minutes to acknowledge the heroism of the late Roger Stone, a longtime University of Texas Medical Branch at Galveston employee, who lost his life after saving fellow sailors on a boat participating in a race from Galveston to Mexico. Chairman Caven said the Board will plan to appropriately honor Mr. Stone for his bravery at a future meeting, and will invite his widow and children to be present.

ADJOURNMENT.--There being no further business, the meeting was adjourned at 10:03 a.m.

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

June 24, 2008