

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

Wednesday, May 7, 2014 – The members of the Finance and Administration Committee of the University of Houston System convened at 10:14 a.m. on Wednesday, May 7, 2014 at the University of Houston, Conrad Hilton Ballroom, Second Floor, 4800 Calhoun, Houston, Texas, with the following members participating:

ATTENDANCE –

Present

Spencer D. Armour, III, Chair  
Welcome W. Wilson, Jr., Vice Chair  
Peter K. Taaffe, Member  
Jarvis V. Hollingsworth, Ex Officio

Member(s) Absent

Tilman J. Fertitta, Member

Non-Member(s) Present

Roger F. Welder, Regent  
Benjamin P. Wells, Student Regent

In accordance with a notice being timely posted with the Secretary of State and there being a quorum of the board present, Chair of the Committee, Spencer D. Armour, III called the meeting to order.

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AGENDA ITEMS

**Action Items:**

Regent Armour stated that six (6) action items would be presented to the committee for their consideration and approval. Regent Armour stated that the agenda would be taken out of order and moved to Item D, Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for design and construction of the Campus Recreation and Wellness Center Natatorium Rehabilitation Project – University of Houston – F&A-D. Regent Armour asked Dr. Carl Carlucci, Executive Vice Chancellor for Administration and Finance to introduce this item.

Dr. Carlucci stated that this item had been addressed in the Facilities, Construction and Master Planning Committee meeting that had been held on Tuesday, May 6, 2014, and that committee had approved the program for the rehabilitation of the Natatorium. The presentation covered the issues that had been documented over the past several years with the facility; and today the Finance and Administration Committee was seeking approval for the financing to support those remedial activities. This is an expensive project that will cost upward of \$9.0 million. The proposed financing for the project was addressed. The pro forma showed the current revenue stream that has been collected by the Recreation Center; and it was based on the student fees and includes the debt service for the proposed project. The debt service projection was based on the estimated costs of \$8.6 million; and the pro forma showed the revenue that was both

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actual and projected (it was noted that there is an expectation of increasing fees for this facility) and with those fees we see that there was a coverage ratio that meets our requirements for debt service coverage on projects of this size. Vice Chancellor for Student Affairs, Dr. Richard Walker was asked to address the fees for this project.

Dr. Walker stated the Campus Recreation and Wellness Center is funded solely by a fee designated to support this facility that was passed by the students. At the February 26, 2014 Board of Regents meeting, the Board approved an increase of this fee for FY2015. The fee had been at \$84.00 a semester since 2006 and the Board approved to go to \$92.00 beginning in FY2015. The process for determining fee increases is done through the Campus Recreation Advisory Board which is comprised of faculty, staff, students, and alumni representatives; and the majority vote is from students. The business pro forma has been vetted by the Campus Recreation Advisory Board at a meeting a few weeks ago and they understand the necessity that in order for this financial plan to work that we will need to look at periodic increases which this business pro forma outlines, so taking not only the increase of \$92.00 for FY2015, the Board has approved that they will be recommending next year that we go to \$99.00 and then a 3% increase thereafter every other year. Dr. Walker stated he believes that these increases will help them better manage the financials because there again there has been a large gap of 8 years between the last fee increase and the current operations.

Regent Hollingsworth asked Dr. Walker if when referendums were approved, was there a threshold maximum? Dr. Walker stated that an increase could not exceed a 10% increase on an annual basis. By statute, there is a 10% threshold; but should the committee recommend an above 10% increase, then this recommendation would have to go to the Student Government Association (SGA) and/or a vote of the students. Typically, if the SGA is not comfortable with passing the increase within the Student Government Senate then they will send it to referendum which is what they did in the case of the new Football Stadium.

Regent Armour asked as to when the nature of this rehabilitation project came to light. Dr. Walker requested Ms. Kim Clark, Director of Campus Recreation, address this issue. Ms. Clark stated that the independent lab tests that were completed and returned in January 2013, was the report that stated the system was in imminent danger of catastrophic failure. Regent Armour inquired as to what were the costs of repairs to keep the pool open since January 2013. Ms. Clark stated it was approximately \$50,000. She stated that over the past two months alone, they have spent around \$20,000 and another critical repair was being done that morning. A discussion followed.

Regent Armour requested Mr. Mack Rhoades, Vice President for Intercollegiate Athletics address the committee concerning the effects this rehabilitation will have on the swim and dive team. Mr. Rhoades stated that he and Dr. Walker have been in constant communication throughout this entire process. The condition of the pool did not come as a surprise. Certainly, this does impact us. Our season ends on March 17, 2014. If they begin work in December 2013, we will then have to go out and find another place to practice with our swim and dive team. There are currently 22 student athletes with four (4) divers on the swim team. We are going through this process to see what might be available out in the City, and at this point in time, there are no clear answers. We may have to rent a pool, but unfortunately, there is

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nowhere in the City that has the diving platform that we need to accommodate our diving team; therefore, we would have to take our diving team at least once a week to Texas A&M to practice there. Mr. Rhoades stated that he has reached out to Texas A&M and they are presently open to that idea.

Mr. Rhoades said that the financial impact would be a very rough estimate but it would probably be around \$85,000-\$100,000 total. Athletics will continue to do whatever is needed but their biggest concern was the financial impact and how this will be handled. Regent Hollingsworth inquired as to how this would affect home meets. Mr. Rhoades introduced Mr. Kevin Klotz, Associate Athletic Director for Compliance and Eligibility, who oversees the swimming and diving program and is a former swimmer himself.

Mr. Klotz stated that he has been in contact with the Campus Recreation and Wellness Center staff and for a couple of home meets in the fall, the university will be able to host a couple of those, but we have had to schedule accordingly knowing that the facility is influx and could go down at any time and be unusable. The university does hold an annual fall invitational meet where we bring in anywhere between 6 – 10 teams, so we will not be hosting that meet this year because the facility cannot handle that type of user load.

Regent Hollingsworth also inquired as to, why are we waiting for December 2013 to get this project underway when it could become inoperable at any time versus waiting. Why would we not immediately begin the work with that type of risk versus waiting? Dr. Walker responded that it has to do with the design and development phase for the project. He has worked with Mr. Jonathon Thurston's team to get this schedule completed; and they have already begun the process of working on the design and what it will take to do the scope of the work. The current design work schedule will be completed in August and will go out to bid and equipment ordered and December 2014 is the projected timeline. A brief discussion followed.

On motion of Regent Hollingsworth, seconded by Regent Wilson, Jr., and by a unanimous vote of the members in attendance, the request to delegate authority to the Chancellor to negotiate and execute contracts for design and construction of the Campus Recreation and Wellness Center Natatorium Rehabilitation Project – University of Houston was approved.

Regent Armour stated the committee would now hear the first action item posted on the agenda, Item B, Approval is requested for the University of Houston System FY2015 Financial Plan and Budget – University of Houston System – F&A-B and asked Dr. Carlucci to introduce this item.

Dr. Carl Carlucci, Executive Vice Chancellor for Administration and Finance introduced and presented this item. A powepoint presentation of the current FY2014 budget and the proposed FY2015 budget were addressed. The proposal was for the UH System and its component campuses for the fiscal year beginning September 2014 to September 2015 (FY2015). Below is a summary of Dr. Carlucci's remarks.

- At the System-level last year (FY2014) the university saw growth and revenues in spending due to the increase in our State appropriation.
- This year (FY2015) the State appropriation is the same as last year and the university will be budgeting for modest growth in our tuition revenue.

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- The total budget is down slightly because of reduced construction spending and the operating budget has increased by 3.5%.
- It was pointed out that as this discussion got underway, there were two stories that this budget told us.
  1. The University of Houston (UH) and UH-Downtown (UHD) campuses were managing changes in their admissions policies and enrollment patterns; and that they were designed to increase graduation rates. At the Academic and Student Success Committee meeting held on May 6, 2014, UH-Downtown's President William Flores talked about the changes both to freshman and transfer students that they were implementing and how they have had to adjust to meet the demands of a different standard, different recruiting and different services.
  2. At the same time, UH-Clear Lake (UHCL) and UH-Victoria (UHV), both were managing programs, improvements and service increases to support their downward expansion. President of UH-Clear Lake, Bill Staples also addressed this at the meeting; and all of these will be reflected in their budgets.
- At UH and UHD the Board will see a series of actions to support and increase credit hours. In the case of UHCL and UHV, the Board will see a number of specifics that are designed for downward expansion.
- Total Current Budget for FY2014, including both operating and capital was \$1,565.3 million.
  - Operating Budget - \$1,341.8 million
  - Capital Facilities - \$223.5 million
- Total Proposed Budget for FY2015, including operating and capital was \$1,562.7 million.
  - Operating Budget - \$1,388.0 million
  - Capital Facilities - \$174.7 million
- UH System Operating Budget Revenues FY2011-FY2015 was addressed as follows:
  - State Appropriation is based on credit hour enrollment. State Appropriations have declined year-over-year; and tuition and fees have been increasing to make up that difference. It should be noted that Fall 2014 will be the benchmark for a two-year appropriation for FY2016-FY2017. FY2016-FY2017 will be driven by the enrollment (by credit hour) that we record in the benchmark year which starts in the summer and goes through the fall and the spring. The enrollment, by credit hour, is extremely important.
  - HEAF/National Research University Fund (NRUF) – this is for maintenance and capital spending as well as our NRUF.
  - Tuition and Fees – This is driven by enrollment and our tuition rates. We have a modest rate projected in tuition and fees and based on credit hour not headcount.
  - (a) Other Operating, Contracts and Grants (which includes Federal financial aid) and Endowment Income /Gifts are our restricted revenues and one-third of our budget. Other Operating Revenues include all of our auxiliaries (food service, bookstore, parking, housing, athletics, and public broadcasting). In many ways, this is the largest area of our growth because of an increase in enrollment, we have had to add and increase the size of our auxiliaries in order to handle more students.
  - (b) The biggest portion of our growth in Contracts and Grants was our financial aid for students and the remaining amount was for our contracts.

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- (c) Endowment Income /Gifts – This is not the corpus of the endowment but rather the income and gifts - it is for support of scholarships and academic programs.
- UH System Operating Budget Expenditures FY2011-FY2015 was addressed. This was a very high level summary to show that according to the National Association of Business Officers category, the majority of our money was spent on Student Success.
  - Student Access and Success continues to be well over two-thirds and/or 69% of our expenditures. It has constantly grown over the past five years by 21%.
  - National Competitiveness – This is 11% of our expenditures. It has grown 25% over the past five-year period. It represents both the enrollment growth driving financial aid and our research program driving contracts.
  - Infrastructure and Administration – This includes HEAF, our maintenance and operations, debt service, utilities spending and place for unallocated reserves.
  - Community Advancement – This is primarily Public Broadcasting.
  - A slide was shown which represented the FY2015 Operating Budget Expenditures by Function - \$667,516,292.
- A breakdown of the FY 2014 vs. FY2015 Operating Budget Sources of Funds was noted as follows.

<u><b>FY2014</b></u>		<u><b>FY2015</b></u>	
<u>Operating Budget Source of Funds</u>		<u>Operating Budget Source of Funds</u>	
- Tuition & Fees	42%	- Tuition & Fees	43%
- State Appropriations	21%	- State Appropriations	20%
- Contracts & Grants	18%	- Contracts & Grants	17%
- Endowment Income/Gifts	4%	- Endowment Income/Gifts	4%
- Other Operating	11%	- Other Operating	12%
- HEAF/NRF	4%	- HEAF/NRF	4%

- The increase is 3.5% due to enrollment growth and our spending on residential students which is consistent with downward expansion as well as the new space that has come online.
- A breakdown of the FY2014 vs. FY2015 Operating Budget Use of Funds was noted as follows:

<u><b>FY2014</b></u>		<u><b>FY2015</b></u>	
<u>Operating Budget Use of Funds</u>		<u>Operating Budget Use of Funds</u>	
- Student Access & Success (Incls instruction/student support)	69%	- Student Access & Success (Incls instruction/student support)	68%
- National Competitiveness (Research)	11%	- National Competitiveness (Research)	11%
- Infrastructure & Admin.	17%	- Infrastructure & Admin.	18%
- Community Advancement	3 %	- Community Advancement	3%

- The UH System Capital Construction Budget for FY2015 was noted as follows.
  - UH Capital Projects – FY2015 – Totaled \$146,978,295
  - UH-Clear Lake Projects – FY2015 – Totaled \$2,155,322
  - UH-Downtown – FY2015 – Totaled \$16,485,270
  - UH-Victoria – FY2015 – Totaled \$9,046,104
  - TOTAL University of Houston System Projects FY2015 - \$174,664,991

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- UH System Capital Projects Allocation % of Total was outlined as follows.
 

- University of Houston	84%
- UH-Clear Lake	1%
- UH-Downtown	10%
- UH-Victoria	<u>5%</u>
TOTAL	100%

The University of Houston System Operating Budget Revenues FY2011 – FY2015 (\$ Millions)  
Below is a summary of Dr. Carlucci’s remarks.

	2011 <u>Actual</u>	2012 <u>Actual</u>	2013 <u>Actual</u>	2014 <u>Budgeted</u>	2015 <u>Proposed</u>
1. State Appropriations*	\$ 274.4	\$ 261.6	\$ 259.5	\$ 275.8	\$ 275.4
2. HEAF/Nat’l Research Univ Fund	50.9	50.9	50.9	58.9	59.9
3. Tuition & Fees	484.0	516.1	540.1	560.9	587.9
4. Other Operating	135.4	146.8	132.9	154.7	170.8
5. Contracts & Grants**	244.9	196.3	278.7	237.1	237.2
6. Endowment Income/Gifts	60.1	59.2	72.2	54.4	56.8
Total	\$ 1,249.7	\$ 1,230.9	\$ 1,334.3	\$ 1,342.8	\$ 1,388.0

\*Includes state per student formula funding and the move of debt service to UHSA beginning FY2012.

\*\*Includes Federal financial aid

The University of Houston System Operating Budget Expenditures FY2011 – FY2015  
(\$ Millions). Below is a summary of Dr. Carlucci’s remarks.

	2011 <u>Actual</u>	2012 <u>Actual</u>	2013 <u>Actual</u>	2014 <u>Budgeted</u>	2015 <u>Proposed</u>
1. Student Access/Success	\$ 789.0	\$ 764.8	\$ 846.2	\$ 921.0	\$ 938.9
2. Nat’l Competitiveness	121.6	119.1	142.3	149.1	158.8
3. Infrastructure & Admin.	178.3	189.2	185.6	233.8	249.5
4. Community Advancement	42.5	46.5	44.3	37.9	40.8
Total	\$ 1,131.4	\$ 1,119.6	\$ 1,218.4	\$ 1,341.8	\$ 1,388.0

Dr. Carlucci stated that each campus was outlined the same and that each president would discuss their individual campuses’ Operating Budget Revenues and Expenditures. Below is a brief outline for each system institution.

Dr. Carlucci made mention that the University of Houston Budget for FY2015 was \$1.16 billion; and it was slightly down because of the change in capital facilities but the operating budget was up from \$981.5 million to \$1.0 billion. It reflects the same pattern of revenue, although the State Appropriation was down to 17% of the total budget.

Dr. Carlucci called upon the Chancellor to address the spending for the University of Houston for the upcoming year. Chancellor Khator’s brief summary is noted below.

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Dr. Khator stated that out of the tuition revenue being charged, \$20.0 million is kept aside in a pool which is given out when need-based scholarships go back to students who need it. UH has a program called “Cougar Promise” which means that if there is any student whose family income is \$45,000 or less, we do not charge any tuition and fees – they receive a free education at UH. There are currently 644 students who are studying at UH without paying any tuition or fees.

There is a national conversation about \$1.3 trillion for student debt; we hear the stories about how students have \$150,000 in student debt, and Dr. Khator stated that the University of Houston was ranked #6 in the nation for graduating students with the least amount of debt upon their graduation. We also offer a fixed tuition plan – “UHin4” which is less than \$10,000 per year.

### The University of Houston’s Operating Budget Revenues FY2011 – FY2015 (\$ Millions)

	2011 <u>Actual</u>	2012 <u>Actual</u>	2013 <u>Actual</u>	2014 <u>Budgeted</u>	2015 <u>Proposed</u>
1. State Appropriations*	\$ 182.4	\$ 155.1	\$ 161.8	\$ 173.9	\$ 173.6
2. HEAF/Nat’l Research Univ Fund	35.9	43.8	35.9	43.9	44.9
3. Tuition & Fees	356.3	381.5	398.7	407.9	424.4
4. Other Operating	113.4	124.8	112.2	132.0	146.0
5. Contracts & Grants**	183.5	138.3	219.6	177.9	178.2
6. Endowment Income/Gifts	51.5	52.8	63.1	45.9	49.2
<b>Total</b>	<b>\$ 923.0</b>	<b>\$ 896.3</b>	<b>\$ 991.3</b>	<b>\$ 981.5</b>	<b>\$ 1,016.2</b>

\*Includes the move of debt service to UHSA beginning FY2012.

\*\*Includes Federal financial aid

### The University of Houston’s Operating Budget Expenditures FY2011 – FY2015 (\$ Millions).

	2011 <u>Actual</u>	2012 <u>Actual</u>	2013 <u>Actual</u>	2014 <u>Budgeted</u>	2015 <u>Proposed</u>
1. Student Access/Success	\$ 789.0	\$ 764.8	\$ 846.2	\$ 921.0	\$ 938.9
2. Nat’l Competitiveness	121.6	119.1	142.3	149.1	158.8
3. Infrastructure & Admin.	178.3	189.2	185.6	233.8	249.5
4. Community Advancement	42.5	46.5	44.3	37.9	40.8
<b>Total</b>	<b>\$ 1,131.4</b>	<b>\$ 1,119.6</b>	<b>\$ 1,218.4</b>	<b>\$ 1,341.8</b>	<b>\$ 1,388.0</b>

Following Chancellor Khator’s and Dr. Carlucci’s remarks on the University of Houston Operating Budget of Revenues and Expenditures, President Bill Staples, from the University of Houston-Clear Lake, presented his FY2015 Budget as noted below.

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The UH-Clear Lake's Operating Budget Revenues FY2011 – FY2015 (\$ Millions)

	2011 <u>Actual</u>	2012 <u>Actual</u>	2013 <u>Actual</u>	2014 <u>Budgeted</u>	2015 <u>Proposed</u>
1. State Appropriations	\$ 35.3	\$ 28.9	\$ 29.1	\$ 30.8	\$ 30.7
2. HEAF	5.2	5.2	5.2	5.2	5.2
3. Tuition & Fees	50.5	49.3	50.6	53.4	59.1
4. Other Operating	3.3	5.1	2.6	4.2	4.0
5. Contracts & Grants	14.9	11.6	14.2	13.9	14.4
6. Endowment Income/Gifts	1.3	0.8	1.7	1.4	1.2
<b>Total</b>	<b>\$ 110.4</b>	<b>\$ 100.9</b>	<b>\$ 103.4</b>	<b>\$ 108.9</b>	<b>\$ 114.6</b>

The UH-Clear Lake's Operating Budget Expenditures FY2011 – FY2015 (\$ Millions).

	2011 <u>Actual</u>	2012 <u>Actual</u>	2013 <u>Actual</u>	2014 <u>Budgeted</u>	2015 <u>Proposed</u>
7. Student Access/Success	\$ 72.3	\$ 76.0	\$ 77.0	\$ 82.5	\$ 85.9
2. Nat'l Competitiveness	2.4	0.9	2.0	3.8	5.2
3. Infrastructure & Admin.	21.9	21.5	21.4	22.6	23.4
4. Community Advancement	0.0	0.8	0.6	0.0	0.1
<b>Total</b>	<b>\$ 1,131.4</b>	<b>\$ 1,119.6</b>	<b>\$ 1,218.4</b>	<b>\$ 1,341.8</b>	<b>\$ 1,388.0</b>

Dr. Staples stated that the biggest issue with UH-Clear Lake was the transition from an upper-level to a four-year institution. As a quick background, in the 2011 session of the Texas legislature, UH-Clear Lake received legislative authority to add freshmen and sophomores. This was planned out and UH-Clear Lake has a very detailed five-year plan that has been referred to as their “four-year initiative.” Following that session, the current Board approved admission standards for freshmen at UH-Clear Lake and these standards are complimentary to UH, UH-Downtown, and UH-Victoria. If one were to think of admission standards, UH-Clear Lake is slightly less than the University of Houston but slightly more than UH-Downtown and UH-Victoria. This is important because the idea that across the entire UH System there are different options for different students; and yet at the same time, it grows the enrollment of the entire System. On August 1 of 2013, UH-Clear Lake started taking applications for freshmen for the Fall of 2014. The priority deadline was February 1, 2014 and the final deadline will be June 1, 2014. In the UH-Clear Lake business plan, it was anticipated that they would receive approximately 2,000 applications. As of May 2014, they have received 2,078 applications. The vast majority of these applications were freshmen, with a few sophomores. Dr. Staples stated that this was due to the fact that many students coming out of high school today already have college credits in high school. UHCL has built capacity for 420 students.

Dr. Staples mentioned that they have put a number of investments into not just recruiting but retention. UH-Clear Lake has a Writing Center where faculty can send students who need assistance in writing projects and reports and technical reports and UHCL is currently expanding that service. UHCL has expanded the Math Center and the Student Success Center; and they also have in place tutoring for gate-keeping courses, in fact, they have advanced



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students imbedded in courses that other younger students grade-wise are taking and they then can tutor those students in those courses. UHCL has also opened up the Veterans Services Office. UHCL currently has approximately 500 veterans attending their campuses and with the winding down of both Afghanistan and Iraq, there are more veterans coming back. Houston is #2 in the country in terms of the number of veterans. Dr. Staples also stated that they are seeing a significant expansion of Ellington Airport and many of the Reserve Units that used to be in Houston on Old Spanish Trail are now at Ellington Airport and that continues to expand.

Dr. Staples stated that it has been a challenge funding-wise. Very simply, the Board and the Chancellor have been very supportive, but UHCL did not get start-up funding at the last Legislative session. Every university that has gone from upper-level to four-year has received some level of start-up funding. At UH-Victoria, they too had to start it and they received funds the following Legislative session. UHCL's top priority for the upcoming Legislative session is to get some start-up funding. Dr. Staples asked the question, so "how did they fund it?" Well, they funded it through a number of means such as:

1. In the last session of the Legislature in 2013, they did provide the regional universities with \$1.0 million in institutional enhancement money; and the various institutions in the System received this money.
2. UHCL also increased tuition.
3. As of Fall 2013, of the 38 public institutions - in tuition, 1 being the highest – 38 being the lowest, UHCL ranked 26. Dr. Staples stated he believes that UHCL gives a very good quality education for the tuition that they charge.
4. UHCL has also done a significant amount of reallocation within the institution (in other words, taking funds from one area that is less of a priority and putting it into another area, i.e. downward expansion).
5. In 2013, UHCL also received a \$1.0 million gift from the Houston Endowment in support of the four-year initiative for downward expansion. Dr. Staples stated that it has been challenging without start-up money.
6. In terms of space at UHCL, as an upper-level university they are very busy from 4:00 p.m. in the afternoon until 10:00 p.m. at night. They are not as busy from 8:00 a.m. to 4:00 p.m. in the afternoon. With the addition of freshmen and sophomores, the vast majority of classes will be 8:00 a.m. – 4:00 p.m. So as far as parking and classroom space, 8:00 a.m.- 4:00 p.m. has not been their prime time so this will be a great compliment to the current students they are serving at the junior-, senior- and masters-levels. They will not in any way diminish their relationship with community colleges. They are not trading community college involvement for downward expansion; they are simply adding freshmen and sophomores and continuing their commitment to community college partners. UHCL currently has over 4,000 students that are from one of the nine community colleges that make up the Gulf Coast community college consortium – that will not change.

Dr. Staples mentioned that this will be the biggest change at UHCL other than the opening of the institution which was in 1974. They are celebrating and completing their 40<sup>th</sup> year of operation. They are also investing in growing programs. They are reallocating funds from programs that are not growing or declining to programs that are growing. UHCL has seen a tremendous growth in computer science, computer engineering and software engineering. They

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are also adding a bachelor's degree in Nursing. UHCL was partnered with and approached by San Jacinto College which is UHCL's biggest feeder. San Jacinto College has approximately 30,000 students and is spread across three campuses. This will be an RN/BSN program; 120 credit hours. San Jacinto College will teach 72 credit hours and the remaining 48 credit hours will be taught at UHCL. UHCL would provide the nursing administration/nursing management courses. UHCL will not do the clinicals; the community colleges will do the clinicals.

Following Dr. Staples' presentation on the UHCL Operating Budget of Revenues and Expenditures, Dr. Carlucci stated that UH-Downtown's State Appropriation was only 16%. UHCL's only growth was in tuition and fees and their spending (whatever little resources they have) is being spent on student access and success. Dr. Carlucci asked Dr. William Flores, President of UH-Downtown to give his presentation on the UH-Downtown budget and asked him to discuss UHCL's enrollment and the change in their admissions criteria. Below is a copy of his brief remarks.

### The UH-Downtown's Operating Budget Revenues FY2011 – FY2015 (\$ Millions)

	2011 <u>Actual</u>	2012 <u>Actual</u>	2013 <u>Actual</u>	2014 <u>Budgeted</u>	2015 <u>Proposed</u>
1. State Appropriations**	\$ 33.9	\$ 25.0	\$ 24.5	\$ 26.8	\$ 26.5
2. HEAF	7.4	7.4	7.4	7.4	7.4
3. Tuition & Fees	59.8	63.6	69.1	74.0	77.1
4. Other Operating	8.3	7.8	6.8	7.1	7.8
5. Contracts & Grants*	40.1	38.3	36.5	38.6	38.0
6. Endowment Income/Gifts	1.6	1.5	2.5	4.4	4.1
<b>Total</b>	<b>\$ 151.1</b>	<b>\$ 143.6</b>	<b>\$ 146.8</b>	<b>\$ 158.3</b>	<b>\$ 160.9</b>

\*Includes Federal financial aid

\*\*Includes the move of \$6.2 million in debt service to UHSA in FY2012 and FY2013

### The UH-Downtown's Operating Budget Expenditures FY2011 – FY2015 (\$ Millions).

	2011 <u>Actual</u>	2012 <u>Actual</u>	2013 <u>Actual</u>	2014 <u>Budgeted</u>	2015 <u>Proposed</u>
1. Student Access/Success	\$ 100.4	\$ 100.0	\$ 110.3	\$ 125.6	\$ 126.7
2. Nat'l Competitiveness	1.9	2.6	1.4	2.7	3.8
3. Infrastructure & Admin*.	28.7	22.8	25.1	27.0	27.1
4. Community Advancement	2.6	4.3	3.8	3.0	3.3
<b>Total</b>	<b>\$ 133.6</b>	<b>\$ 129.7</b>	<b>\$ 140.6</b>	<b>\$ 158.3</b>	<b>\$ 160.9</b>

\*Includes the move of \$6.2 million in debt service to UHSA in FY2012 and FY2013

Dr. Flores stated that UH-Downtown had placed approximately \$27.1 million into student success over the last few years. UHCL realizes that it is not just about increasing admission standards, it is about supporting students; it is about changing the way that courses are taught

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with an emphasis on student success. In revising their courses over the past few years, UHD has increased the student success rate dramatically. UHD has, i.e., had their ABC rate in biology and in college algebra (which are two gateway courses) just a few years ago it was 37%; and today it is 67%. They flipped it from one-third of UHD students receiving A's and B's to two-thirds. UHD is working on other courses similarly. UHD is using their money to hire advisors; to hire tutors; to do similar to what they are doing at UHCL, move positions and lines. There will be a lot of reallocations, e.g., this year they had reallocated \$1.3 million. Those were not only positions in teaching but they also took three (3) AVP positions and eliminated them. They took some director positions. They have restructured and they are trying to do this each year based on what their priority and needs might be.

Dr. Flores stated UHD is also increasing supplemental instruction and tutoring. UHD's 2006 cohort had a graduation rate of 12%; their 2007 cohort graduation rate was 14%. This spring their 2008 cohort graduating in the spring and summer will have an 18% graduation rate. UHD is looking to improving this percentage by the cohort that starts in the fall, they hope to have a 28%, 6-year graduation rate. UHD is setting everything in motion to have this occur. Similarly, UHD has increased, by adopting new admission standards for transfer students, (which UHD is hopeful that the Board will approve at the meeting today) to improve the three- and six-year retention rate of transfer students. UHD's retention rate for transfer students has gone up to 74% which is the highest in the institution's history; and the freshmen retention rate was at 91% last semester which was also the highest in the schools' history. Their six-year graduation rate for transfer students hit 58% this year. Dr. Flores stated that this shows that they are putting the right things in place; but more work still needs to be done. They are moving funds based on what they see are student priorities, student success.

In UHD's use of HEAF dollars - they are putting in \$3.6 million for renovations and upgrades in their student laboratories, libraries, and also licensing software (particularly in the library). They are shuffling monies. In some cases, they do not have the hard dollars to do everything they would like to do which is why they are putting in one-time money. For example, they are hiring eight (8) new advisors and recruiters in the student enrollment area; they are hiring five (5) new non-tenured track faculty and three (3) tenure track faculty. A brief discussion followed.

Dr. Carlucci moved to the UH-Victoria Operating Budget and stated that their operating budget had increased from \$59.1 million in FY2014 to \$62.2 million for FY2015. The State Appropriation was the largest portion of any of the UH System campuses due to their size, but has gone down to 30% so they are still more dependent on tuition and fees. UHV will have a small increase in tuition and fees revenue. Their investment has been in student success as noted over their five-year history. UHV's biggest expenditure item is that they will be adding \$1.2 million for student scholarships to improve their recruiting. Dr. Carlucci asked Dr. Vic Morgan, Interim President of UH-Victoria to address the UH-Victoria Operating Budget of Revenues and Expenditures for FY2014-FY2015. Dr. Morgan's brief comments are summarized below.

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Dr. Morgan stated he appreciated the opportunity to say a few words and addressed the things that have been occurring at UH-Victoria over the next year.

UHV is actually bringing their new Academic and Economic Development Building online in the Spring of 2015. They have been successful in acquiring some land near and/or adjacent to the campus for future expansion and they are looking into other opportunities for the acquisition of property as they expand their growth. UHV is in their fifth year of downward expansion and their graduation ceremony will be held this weekend as they graduate their first freshmen class. Many of the students graduating are athletes, and that means the Athletic program is moving forward with the Academic program. Applications are up approximately 38% for next year; and accepted students are up 49% for that time period as well.

Dr. Morgan stated that UHV is beginning to schedule meetings with all of the community colleges in their immediate region in order to build and strengthen those relationships. The relationships are there; Dr. Morgan is new to them so he would like to meet with them in order to find out what UHV can do to serve the students who are completing their degrees at the junior community colleges.

UHV has been designated as a Hispanic Servicing Institution (HIS) which makes UHV eligible to apply for Title V, HIS strengthening institution grant. Those grants are special in that they also include an endowment component, a matching endowment component. They can obtain a five-year grant; and when UHV comes out of the grant at the end of the five years with a very significant endowment to support the programs that they support with the strengthening institution grants. Those focus on both retention and the building of students and their strengths.

UHV continues to strive for very equitable and competitive salaries so that they can recruit top notch faculty and staff to support the students and programs they have. Dr. Morgan stated he was very excited about the faculty and staff and the jobs that they do. New academic program development is focused towards the community needs and interest of the folks who are coming to UHV; and they continue to expand programs within the community where the faculty and the students, and in many instances the staff are getting out doing such things as tutoring public school students; involved in providing examples for the young people through their Athletic program, as well as other areas where they can interact with the community.

Dr. Morgan stated that the Small and Minority Business Development Center continues to do an outstanding job of providing support and strengthening the small businesses throughout the region. The UHV baseball team has qualified and will be playing in a national tournament and will be going next week to participate in that.

The UH-Victoria's Operating Budget Revenues FY2011 – FY2015 (\$ Millions) – continues on next page.

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(\$ Millions)

	2012 <u>Actual</u>	2012 <u>Actual</u>	2013 <u>Actual</u>	2014 <u>Budgeted</u>	2015 <u>Proposed</u>
1. State Appropriations	\$ 18.9	\$ 16.7	\$ 17.0	\$ 18.5	\$ 18.6
2. HEAF	2.4	2.4	2.4	2.4	2.4
3. Tuition & Fees	20.5	22.4	21.7	25.6	27.2
4. Other Operating	1.8	3.5	2.8	5.2	7.5
5. Contracts & Grants*	7.8	4.0	6.9	6.7	6.7
6. Endowment Income/Gifts	0.6	0.3	0.9	0.7	0.8
Total	\$ 52.0	\$ 49.3	\$ 51.7	\$ 59.1	\$ 62.2

\*Includes Federal financial aid

The UH-Victoria Operating Budget Expenditures FY2011 – FY2015 (\$ Millions).

	2011 <u>Actual</u>	2012 <u>Actual</u>	2013 <u>Actual</u>	2014 <u>Budgeted</u>	2015 <u>Proposed</u>
1. Student Access/Success	\$ 39.2	\$ 40.5	\$ 43.3	\$ 46.2	\$ 52.4
2. Nat'l Competitiveness	1.2	0.5	0.1	0.5	0.3
3. Infrastructure & Admin	12.4	7.7	8.2	11.8	8.9
4. Community Advancement	0.5	0.6	0.9	0.6	0.6
Total	\$ 53.3	\$ 49.3	\$ 52.5	\$ 59.1	\$ 62.2

Dr. Carlucci spoke briefly about the UH System Administration and stated that \$34.0 million of which \$22 million of that is debt service. A brief discussion followed.

On motion of Regent Wilson, Jr., seconded by Regent Hollingsworth, and by a unanimous vote of the regents in attendance, the request for the University of Houston System FY2015 Financial Plan and Budget – UH System was approved.

Regent Armour moved to the next item on the agenda, Item C, Approval is requested for the University of Houston System FY2015 Holiday Schedule – University of Houston System.

Dr. Carlucci introduced this item requesting approval of the UH System FY2015 Holiday Schedule and asked Tom Ehardt, Associate Vice Chancellor for Finance, to present this item. Mr. Ehardt stated that in statute there are 17 holidays identified for state agencies. Those holidays are not given particularly if they land on a weekend. For FY2015, there are a total of 15 holidays allocated by the state. Administration recommends approval of this item.

On motion of Regent Taaffe, seconded by Regent Wilson, Jr., and by a unanimous vote of the regents in attendance, the request for the University of Houston System FY2015 Holiday Schedule was approved.

The next item presented before the committee's consideration was Item E, Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts and a

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### ground lease for the development and construction of a compressed natural gas fueling facility at the University of Houston Energy Research Park – University of Houston.

Dr. Carlucci introduced this item and stated this was a long time coming. The university had to wait for the right property and we had a lot of help from various individuals who have worked on getting this to the point of moving forward. The university now has this piece of property; it is on the highway so it gives the university access to I-45 so we can bring in other policemen to use it. It will be a public facility (which was necessary in order to get a Houston Galveston Area Council (HGAC) grant. Dr. Carlucci asked Ms. Emily Messa to elaborate further on this item.

Ms. Messa stated that as Dr. Carlucci had mentioned, we had to wait for the right property; we went out for RFP and have selected a vendor, American Fueling Systems out of Atlanta, GA. We have also been working with the Railroad Commission and HGAC on a grant because as part of this there would be a fueling agreement because as a sustainable university we would like to convert our fleet to compress natural gas. The university has been working with HGAC to obtain funding that will help to facilitate that and they are working through the process now and evaluating the vehicles that would be converted to CNG.

Ms. Messa introduced Dr. Victor Chang from the College of Technology and as Dr. Carlucci had mentioned that there has been tremendous faculty support. There were many technical details with completing the RFP and the faculty were instrumental in giving their technical support and the partnerships with the various colleges to have this completed. Dr. Chang also presented brief remarks on this issue.

Regent Armour inquired as to whether or not we were the first university to have this type of facility. Dr. Carlucci stated we were not the first university to have such a facility but in this case this facility was on our campus; it's a partnership with the provider; and it's a partnership with the colleges that are interested in both workforce development and research in alternate fuels. Dr. Chang did state that because this was a public facility it was, in fact, the first of its kind in the world to have such a facility on campus.

Regent Wilson, Jr. asked if the grants were only for retro fuel of existing vehicles or can they be applied to the acquisition of new vehicles. Ms. Messa stated they were actually for the acquisition of new vehicles. Regent Wilson, Jr. also inquired as to the agreement with the vendor – he wanted to verify that the university has control of the architectural review of the facility and Ms. Messa stated that was correct. Since this was also a long-term agreement, Regent Wilson, Jr. stated that some kind of signage criteria or review would be important, that it be at the front door of the Energy Research Park and the university should make certain that it was consistent with our message. Ms. Messa confirmed that they were working with UH Marketing to make sure that it was properly branded and co-branded because of its location.

Regent Hollingsworth asked, what was the plan for vehicle transition; and what were the retail and enterprising opportunities here for the sale of the fuel to other governmental agencies. Dr. Carlucci responded that the business plan for this facility assumes that they will recruit other fleet. So they have been talking to other fleets, not only public fleets, such as METRO, but

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there are also private fleets, such as UPS. The university has spoken to them concerning this possibility and told them that this facility would be available to them as part of the HGAC grant requirement, that it be a publicly available fleet for fueling. Regent Hollingsworth also asked one related question to that, where was the nearest CNG facility to where ours will be located. Ms. Messa stated that they had looked at that and the closest CNG station was located on Hwy 3 and the Beltway area, near Pasadena. Dr. Carlucci also stated that they were looking to convert existing vehicles, particularly some of our smaller vehicles. Ms. Messa stated that there were limited funds for vehicle conversions and the grant does not completely cover the delta but it provides a good incentive and we are most likely looking at a long-term 10-year conversion. She also stated they envision that they should, once they start and the facility is launched this spring, they believe they will have between 6-10 vehicles that can start using the station. We will also look at some of our larger vehicles because there will be some savings using CNG over the regular diesel fuel.

On motion of Regent Wilson, Jr., seconded by Regent Taaffe., and by a unanimous vote of the regents in attendance, the request to delegate authority to the Chancellor to negotiate and execute contracts and a ground lease for the development and construction of a compressed natural gas fueling facility at the University of Houston Energy Research Park – University of Houston was approved.

Regent Armour moved to the next action item on the agenda, Item F, Approval is requested to delegate authority to the Chancellor to negotiate and execute a lease for space to establish a San Antonio campus for the University of Houston – Conrad N. Hilton College of Hotel and Restaurant Management Bachelor of Science program – University of Houston, and asked Dr. Carlucci to present the item.

Dr. Carlucci stated this item was for a lease and tenant improvement for a facility of approximately 9,500 sq. ft. to establish a San Antonio campus for the University of Houston Conrad N. Hilton College of Hotel and Restaurant Management Bachelor of Science programs. The actual program was approved by the THECB in 2012 and Dr. Carlucci asked Dr. John Bowen, Dean of the Conrad N. Hilton College of Hotel and Restaurant Management to present the details of the program. The estimated cost per square foot of the lease is \$20 for 10 years with 2% per year inflation.

Dr. Bowen stated the program itself is a junior- and senior-level program for just hospitality management courses. This will be very efficient in that students can get their general education courses. We will be partnering with St. Phillips College in San Antonio for the lower division hospitality courses and then do the upper division courses in San Antonio. San Antonio is the tourism capital of the world. The university has had a great reception from the industry including a \$900,000 grant from the Marriott Foundation; a \$450,000 gift from the Conrad N. Hilton Foundation for matching money; and \$30,000 from Hyatt. We have not done a campaign locally because our initial work told us that they wanted to see a commitment of the University of Houston in San Antonio so we were waiting until we had a physical location.

This Fall we will start out teaching courses at St. Phillips College. Two employees have been hired: (a) an assistant dean, who was formally the chair of the hospitality program at Bethune-

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Cookman; and (b) a former UH employee, who moved to San Antonio and was with Texas A&M San Antonio, and was hired as a student advisor.

Dean Bowen stated they like this particular location because it is part of campus. The Sunset Station area, just north of the Alamo Dome. It is an old historical area across from the original Railroad Station which has now been converted into an Event Center; in fact, last Fall the alumni gathering for UH and the UTSA game was in the Station. Our building would be just as you walked out the front door, there is a three-story building that was originally built as the Mission Hotel in 1905. On the tower of the building could brand UH and across the side of the building we could put the University of Houston as well. So all of the functions coming out of the Railroad Station are going to see the presence of UH now in San Antonio. With St. Phillips, this is right off of Commerce Street just across the freeway from the Main Central Business District, so that means you are out of the traffic and students could easily transfer back and forth between St. Phillips and our campus should they need any general education courses. As part of this area, there is an amphitheater and an Events Center, We would like to develop this area similar to what we have done at the Pearl area where it would be multi-use and entertainment venues at night so that our students could work in the area and they would also have opportunities to work festivals, food festivals, wine and food festivals, etc.

Dean Bowen said he believes it is a great location, and along with that, the Convention Center is moving adjacent to the freeway and there will be pedestrian access between this area and to the Convention Center under the freeway; and it is also right next to Hemisphere Park which is being redeveloped; therefore, because of all those locations for hospitality programs, he believes it is an ideal spot.

Chancellor Khator stated that at the last football of UH at UTSA, the Alumni Association and all of the alumni from San Antonio were present at that time. We made a very big deal about coming to San Antonio and they were very excited about it! Dr. Khator also mentioned that our first game in the New Football Stadium will also be with UTSA; and once we are there and have a foothold, we will have a big time presence.

On motion of Regent Taaffe., seconded by Regent Wilson, Jr., and by a unanimous vote of the regents in attendance, the request to delegate authority to the Chancellor to negotiate and execute a lease for space to establish a San Antonio campus for the University of Houston – Conrad N. Hilton College of Hotel and Restaurant Management Bachelor of Science program - University of Houston was approved.

The final action item presented for the committee's consideration was item G, Approval is required to delegate authority to the Chancellor to negotiate and execute the purchase and installation of a modular building at the University of Houston-Clear Lake. Regent Armour asked Dr. Carlucci to introduce this item.

Dr. Carlucci stated that at the Facilities, Construction and Master Planning Committee held yesterday, May 6, 2014, the committee discussed the actual site and program for the building. It will be located on the UH-Clear Lake campus. Land is not an issue. The actual facility is a modular facility and the committee looked at an example.



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Dr. Carlucci requested approval because this was a contract purchase over \$1.0 million (the estimate is \$1.25 million) and it is 7,500 sq. ft. of space. The project will be primarily financed out of HEAF funds with a small amount funded from local funds. Since HEAF funds will be primarily used, no financing or pro forma is required.

On motion of Regent Taaffe., seconded by Regent Wilson, Jr., and by a unanimous vote of the regents in attendance, the request to delegate authority to the Chancellor to negotiate and execute the purchase and installation of a modular building at the University of Houston-Clear Lake was approved.

At the conclusion of the presentation of this item, Regent Armour requested a motion to move the last five (5) action items to the Board of Regents' Consent Docket Agenda for final Board approval at the Board of Regents' meeting later today, May 7, 2014.

On motion of Regent Wilson, Jr., seconded by Regent Taaffe, and by a unanimous vote of the members in attendance, the following five (5) items will be placed on the Board of Regents' Consent Docket Agenda for final Board approval. They are as follows:

1. Approval is requested for the University of Houston System FY2015 Holiday Schedule – University of Houston System;
2. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for design and construction of the Campus Recreation and Wellness Center Natatorium Rehabilitation Project – University of Houston;
3. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts and a ground lease for the development and construction of a compressed natural gas fueling facility at the University of Houston Energy Research Park – University of Houston;
4. Approval is requested to delegate authority to the Chancellor to negotiate and execute a lease for space to establish a San Antonio campus for the University of Houston – Conrad A. Hilton College of Hotel and Restaurant Management Bachelor of Science program – University of Houston; and
5. Approval is requested to delegate authority to the Chancellor to negotiate and execute the purchase and installation of a modular building at the University of Houston-Clear Lake – UH-Clear Lake.

There was no Executive Session held.

There being no further business to come before the committee the meeting adjourned at 12:04 p.m.

All documentation submitted to the Committee in support of the foregoing action items, including but not limited to “Passed” agenda items and supporting documentation presented to the Committee, is incorporated herein and made a part of these minutes for all purposes; however, this does not constitute a waiver of any privileges contained herein.

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University of Houston System

Others Present:

Carl Carlucci  
Paula Myrick Short  
Dona Cornell  
Rathindra Bose  
Eloise Dunn Stuhr  
Elwyn Lee  
Richard Walker  
William Flores  
Vic Morgan  
William Staples  
Don Guyton  
Asit Shah  
Richard Bonnin  
Chris Stanich  
Floyd Robinson  
Rhonda Thompson  
Erica Tat  
Gary Stading  
Jon Aldrich  
Marquette Hobbs

Raymond Bartlett  
Tom Ehardt  
Craig Ness  
Mike Emery  
Wayne Beran  
Mike Emery  
David Ellis  
Dan Maxwell  
Mack Rhoades  
Victor Chang  
Darrin Hall  
Dan Wells  
Wayne Beran  
Sean York  
Fred McGhee  
Wayne Beran  
David Bradley  
Joe Brueggeman  
Brandon Alexander  
Brenda Robles

Willie Munson  
Emily Messa  
Ed Hugetz  
Cedric Bando  
Margie Hattenbach  
Valerie Coleman-Ferguson  
Shannon Harrison  
Jeffrey Cass  
Jonathan Thurstan  
Shabana Mohioddin  
Pam Muscarello  
Michelle Dotter  
Jeffrey Cass  
Kevin Klotz  
John Bowen  
Dick Phillips  
Anamaria Palla  
Don Price  
Brian Thomas  
Gerry Mathisen