

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

Thursday, November 19, 2015 – The members of the Finance and Administration Committee of the University of Houston System convened at 1:43 p.m. on Thursday, November 19, 2015 at the Hilton University of Houston Hotel, Conrad Hilton Ballroom, Second Floor, 4450 University Drive, Houston, Texas, with the following members participating:

ATTENDANCE –

Present

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

Non-Members Present

Beth Madison, Regent
Paula M. Mendoza, Regent
Roger F. Welder, Regent
Garrett H. Hughey, Student Regent

Member(s) Absent

Peter K. Taaffe, Member

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

AGENDA ITEMS

Action Items:

1. Approval of Minutes – Item B

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

- May 21, 2015, Finance and Administration Committee Meeting

Regent Armour stated the committee would be presented 15 action items for consideration and approval at the meeting. The first six (6) action items listed on the agenda were for the financing of the sites and programs of various items that had been approved earlier by the Facilities, Construction and Master Planning Committee. Regent Armour asked Mr. Jim McShan, Interim Vice Chancellor for Administration and Finance to present these action items and once presented he would call for the vote. Below is a listing of these items:

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1. Item C - Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts associated with additional project scope for the Multidisciplinary Research and Engineering Building at the University of Houston, F&A-C;
2. Item D - Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for the design and construction of the new Health Sciences and Classroom Building at the University of Houston-Clear Lake Pearland Campus – UH-Clear Lake, F&A-D;
3. Item E - Approval is requested for changes to the FY2017 mandatory student-recommended fees for the University of Houston-Clear Lake, F&A-E;
4. Item F - Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for the design and construction of the new Recreation Wellness Center at the University of Houston-Clear Lake, F&A-F;
5. Item G - Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for the design and construction of the new Student Center and Learning Commons at the University of Houston Victoria, F&A-G; and
6. Item H – Approval is requested to delegate authority to the chancellor to negotiate and execute contracts for the design and construction for the Basketball Arena Enhancement Project at the University of Houston, F&A-H.

Mr. McShan stated the first five (5) items were for the financing of the site and program projects that had been approved by the Facilities, Construction and Master Planning Committee (“FCMP”) earlier in the day.

The first item was for the completion of the shell space at the Multidisciplinary Research and Engineering Building at the University of Houston. The original project for shell space was for \$51 million. The additional 27,000 square feet will cost \$7.9 million, bringing the total project cost to \$58.9 million. The additional \$7.9 million will be funded through revenue bonds from research revenues. The project is still on schedule to be completed in October 2016.

The second item was funding for the design and construction of the new Health Sciences and Classroom Building at the University of Houston-Clear Lake Pearland campus. The site and program was approved in the FCMP Committee. The total cost of this facility will be \$24.6 million and was approved during the Legislative Session for Capital Construction Bonds. The actual construction will begin in the Spring of 2017 with occupancy in the Fall of 2018.

The next item was for the fee increase for University of Houston-Clear Lake Recreation Wellness Center which was approved by the Texas Legislature, approved by the students, and is now being brought forward for Board approval. This will be the funding source for this actual project and will generate \$2.4 million.

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The fourth item was asking for approval of the funding for the design and construction of the new Recreation and Wellness Center at UH-Clear Lake. The total cost will be \$38.2 million - \$26.9 million revenue bonds from the fees and HEAF bonds for a total \$11.3 million.

The next item addressed by Mr. McShan was for the design and construction of the new Student Center and Learning Commons at the University of Houston-Victoria. This facility will consist of two (2) separate but connected areas – one area will be the Student Center and the other area will be the Learning Commons. The cost of this facility will be \$32 million with \$16 million being funded by the student fee that was previously approved and passed by the Board; and \$16 million in Capital Construction Bonds that were approved during the Legislative Session.

The last item of this group for the Board's consideration was for the design and construction for the Basketball Area Enhancement project at the University of Houston. Mr. McShan asked Mr. Hunter Yurachek, Vice President, Intercollegiate Athletics to give a brief overview of this project.

Mr. Yurachek stated there was some very exciting news regarding this project. An anonymous, lead gift for this project in the amount of \$20 million. A second gift was secured on November 18, 2015, a generous donation in the amount of \$2 million by Mr. and Mrs. Howie and Jamie Lorch to name the Courtside Club; and another ask which is currently pending in the amount of \$5 million to name the floor at the new Basketball Area project. In May 2015, a feasibility study was brought to the Board that had been completed by JMI Sports in consultation from DLR as well as Vaughn Construction and Austin Commercial Construction. There were three (3) options presented ranging from \$50 million to \$85 million. These figures are still preliminary estimates. Athletics is still not certain of the total costs because they are removing asbestos from the current Hofheinz Pavilion site. If you were to take the middle amount - \$60 million project (not to exceed that number), we currently have \$22 million in gifts pledged; gifts-aspiration goal would be \$23.5 million; \$4.5 million remaining in the Student Fee Referendum from the Stadium which is the worst case scenario as we wait a settlement for the Stadium; and the Athletic Department is committing (as a placeholder) \$10 million towards this project in order to get to the \$60 million. This \$10 million is the result of the debt service on the current Alumni/Athletic facility that will roll off of their books following the 2017-2018 academic year. This money would then become available in the Athletics' operating budget to devote to this project as well to get them to this budget but not to exceed the \$60 million.

The \$60 million project would reduce our current seating from 8,300 seats down to 7,420 seats. The floor would be raised and we would bring the mid-court seats closer to the court which would make the suites, loge boxes and premium seating more applicable to donors. A brief discussion followed.

Following Mr. Yurachek's presentation, Regent Armour called for a motion to approve the first six (6) action items as presented.

On motion of Regent Wilson, Jr., seconded by Regent McElvy, and by a unanimous vote of the members in attendance, Items C through Item H were approved as presented to the Board.

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Regent Armour stated that Mr. McShan would now present the next three (3) items pertaining to contracts - Items I through Item K - for the Board's consideration and approval. Once presented, Regent Armour called for the vote. Below are the items addressed as follows:

1. Item I – Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts exceeding \$1 million for the purchase of goods or services, excluding construction contracts, at the University of Houston System, F&A-I;
2. Item J – Approval is requested to delegate authority to the Chancellor to negotiate and execute construction contracts exceeding \$1 million for projects at the University of Houston, F&A-J; and
3. Item K – Approval is requested to delegate authority to the Chancellor to negotiate and execute an amendment to a land lease for residential housing located at the University of Houston, F&A-K.

Mr. McShan moved to Item I pertaining to contracts exceeding \$1 million for the purchase of goods or services, excluding construction projects. There were five (5) contracts summarized which would require the Board's approval.

- (a) Transcript Service contract in the amount \$2.5 million for self-funded transcript fees. This provides current and former students 24-hour online access for requesting transcripts.
- (b) Workman's Compensation Insurance contract in the amount of \$1.9 million. This contract is required by the State. Ratification of two-year contract with the State Office of Risk Management (SORM) for this insurance is needed because the contract was signed before Board approval was given to avoid interruption of insurance coverage.
- (c) Ratification of donor-funded purchase of Steinway pianos for the Moores School of Music over a five-year period to make it an "all-Steinway School." This was a gift in the amount of \$5.5 million. Clavier Group Inc. is the sole distributor of Steinway pianos in Texas.
- (d) Ratification of custodial services for the University of Houston-Downtown in the amount of \$5.75 million extension of 6.5 year contract to June 30, 2017.
- (e) This item was to augment mowing services in the amount of \$1.35 million for the University of Houston.

Mr. McShan addressed Item J pertaining to construction contracts exceeding \$1 million for the University of Houston. There were four (4) contracts summarized which required Board approval as follows:

- (a) Master Service Order Agreement for construction of wayfinding signage in the amount of \$2.5 million;
- (b) Ratification of an amendment to a Master Service Order Agreement for campus access control construction projects. The amount spent to date was \$3.95 million to a figure not to exceed \$5 million.
- (c) Ratification of a contract for construction and renovation to the Carl Lewis International Track and Field Complex at the University of Houston. This was a gift in the amount of \$1.8 million.
- (d) Before the contract was signed for the Health & Biomedical Sciences Building II, the initial amount was \$121,629,014 and after further development of the contract qualifications and

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documents, it was determined that \$121,816,797 was the amount that should have been presented at the August 2015 meeting, an increase of \$187,783; therefore, the execution of this contract was deemed necessary in order to keep the project on schedule.

The third item addressed by Mr. McShan was Item K, requesting an extension, not to exceed five (5) years, of an existing land lease between the University of Houston and Campus Living Villages. Dr. Richard Walker, Vice Chancellor for Student Affairs was requested to address this item before the Board.

Dr. Walker stated in 1989, the Board approved a ground lease with Century Development (now Campus Living Villages). Cambridge Oaks, which was one of the first public/private housing partnerships in the country, was built in 1990. This facility is now 25 years old and has significant deferred maintenance and is in need of re-investment to serve today's students. This facility has 634 beds and is part of the University of Houston's housing inventory. It is located at the corner of Cullen and Wheeler, across the street from Cougar Place and near the football stadium. It is in desperate need of some renovation and refurbishing; and there are some life safety issues that should be addressed.

Campus Living Villages (who are the owners of the facilities) is basically going to loan the property \$4.74 million to refurbish this property for the improvement of our students' living experience. It will require the University to extend the existing Ground Lease Agreement, not to exceed five (5) years, and would extend the lease expiration date of August 2030 up to a maximum date of August 2035. One of the requirements the University is now requesting is a sinking fund for deferred maintenance to ensure a lifecycle renewal. The annual contribution to the sinking fund will equal 5% of total revenue.

The scope of the work will include extensive work in living units including kitchens, bathrooms and bedrooms; new cabinetry and appliances; new wiring, flooring, and electronic door locks; new air conditioning units, paint, grounds, gate, and fence work; fire system and pedestrian pathway upgrades and IT upgrades.

This facility will assume a 96.1% occupancy rate (this year we are at a 99% occupancy rate). It is a cost sharing venture for the University (50/50 split of revenue) and at the end of the year the University does receive proceeds from this property. A brief discussion followed.

Following the presentation of this item, Regent Armour called for a vote from the Board for the three (3) items presented regarding contracts - Item I through Item K.

On motion of Regent McElvy, seconded by Regent Wilson, Jr., and by a unanimous vote of the members in attendance, Items I through Item K were approved.

Regent Armour stated the next four (4) action items, Item L through Item O, to be presented for the Board's consideration were in regards to real estate. Following the presentation of these four (4) items regarding real estate, Regent Armour would call for the vote. Mr. McShan presented these four (4) items as follows:

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1. Item L - Approval is requested to delegate authority to the Chancellor to take all actions precedent to the acceptance of land in Sugar Land from the Texas Department of Transportation – University of Houston, F&A-L;
2. Item M - Approval is requested to ratify a lease agreement and all subsequent lease amendments with Wharton County Junior College – University of Houston, F&A-M;
3. Item N - Approval is requested to delegate authority to the Chancellor to take all actions precedent to the acceptance of an additional gift of land from the City of Pearland – University of Houston-Clear Lake, F&A-N; and
4. Item O - Approval is requested to delegate authority to the Chancellor to negotiate and execute an amendment to the space lease agreement between the City of Pearland and the University of Houston-Clear Lake, F&A-O.

Mr. McShan introduced the first of the four (4) items regarding real estate. Item L requested approval to delegate authority to the Chancellor to take all actions precedent to the acceptance 16.194 acres of land in Sugar Land from the Texas Department of Transportation. This land is for the new facility that will be built with the Capital Construction Bonds that had been granted during the last Legislative Session. The university is currently in the process of completing the master plan for the University of Houston Sugar Land Campus; and once it has been done in will be brought forward for the Board's consideration as well as the proposed facility that will be developed at this location.

The second item addressed by Mr. McShan was Item M, the approval to ratify a lease agreement and all subsequent lease amendments with Wharton County Junior College for space at the University of Houston Sugar Land. There is a modification to the lease to change the price, as well as apparently determine that this lease had never historically been approved by the Board because it had been considered a revenue lease as opposed to an expenditure lease. This item is requesting a ratification and a modification of the original lease. The modification is that the rent would increase from \$15.01 per square foot to \$16.06 per square foot. This lease would run through April 30, 2029 with adjustments for the rental rate periodically.

Item N was the third item presented requesting approval to delegate authority to the Chancellor to take all actions precedent to the acceptance of an additional gift of land from the City of Pearland for the construction of additional educational facilities at the University of Houston-Clear Lake Pearland Campus. The City of Pearland had previously donated 14.44 acres of land which the Board had approved. The City of Pearland has now offered to donate an additional 9 acres of land. Actions precedent to the acceptance of this additional gift of land will include an amendment to the original Letter of Intent that describes the property as approximately 23 acres and extends our inspection period to June 30, 2016, and the closing date to 30 days following the expiration of the inspection period. The approximate value of the 23 acres is between \$9.0 and \$10.0 million.

The final item addressed by Mr. McShan was Item O requesting approval to delegate authority to the Chancellor to negotiate and execute an amendment to the space lease agreement between

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the City of Pearland and the University of Houston-Clear Lake. This proposed amendment would increase the amount of square footage to be leased by the University of Houston-Clear Lake from 22,616 to 27,947 effective December 1, 2015. Additionally, UHCL would assume all remaining space on August 11, 2016 for a total leased space of 31,554 square feet. This would give UHCL full occupancy of the building. Dr. William Staples, President of UH-Clear Lake gave brief remarks on this item.

Following the presentation of this item, Regent Armour called for a vote from the Board for the four (4) items presented regarding real estate - Item L through Item O.

On motion of Regent McElvy, seconded by Regent Wilson, Jr., and by a unanimous vote of the members in attendance, Items L through Item O were approved.

Regent Armour stated Item P and Item Q were the last two (2) action items on the agenda and would be presented at the same time before the vote on these items was presented. These two (2) action items were as follows:

1. Item P – Approval is requested of Master Resolution, the Preliminary Official Statement, and the Notices of Sale authorizing the issuance of Board of Regents of the University of Houston System Consolidated Revenue and Refunding Bonds, Series 2016A and Series 2016B (Taxable) – University of Houston System, F&A-P; and
2. Item Q – Approval is requested to modify a University of Houston System banking resolution governing a bank account maintained for the benefit of the University of Houston-Clear Lake – University of Houston System, F&A-Q.

Mr. McShan presented Item P and stated these bonds were a combination of refunding of existing outstanding bonds and new bonds for the projects that had been discussed. The total amount of new money and refunding bonds was \$272 million that have already been issued. Of the \$272 million, \$188.9 million was from the new money for funding were from fees primarily from the State's capital construction bonds. The refunding bonds are approximately \$83 million and the threshold for refunding will be \$5.1 million or 10.6%. A brief discussion followed.

Mr. McShan addressed the last action item, Item Q and stated this was a housekeeping action. As a result of personnel changes at UH-Clear Lake, it was requested that an individual be deleted from the list of authorized persons who may conduct certain banking transactions related to the UH-Clear Lake operating account at Bank of America and be replaced with another individual as a result of this change.

Following the presentation of this item, Regent Armour called for a vote from the Board for the last two (2) items presented.

On motion of Regent McElvy, seconded by Regent Wilson, Jr., and by a unanimous vote of the regents in attendance, Item P and Item Q were approved.

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At the conclusion of the approval of the last two (2) action items, Regent Armour called for a motion to place all 15 action items presented to the committee on the Board of Regents' Consent Docket Agenda for final Board approval.

On motion of Regent McElvy, seconded by Regent Wilson, Jr., and by a unanimous vote of the committee members present, the following 15 action items were placed on the Board of Regents' Consent Docket Agenda for final approval at the November 19, 2015 Board of Regents meeting held later that in the day as follows:

1. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts associated with additional project scope for the Multidisciplinary Research and Engineering Building at the University of Houston;
2. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for the design and construction of the new Health Sciences and Classroom Building at the University of Houston-Clear Lake;
3. Approval is requested for changes to the FY2017 mandatory student-recommended fees for the University of Houston-Clear Lake;
4. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for the design and construction of a new Recreation and Wellness Center at the University of Houston-Clear Lake;
5. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for the design and construction of the new Student Center and Learning Commons at the University of Houston-Victoria;
6. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for the design and renovation for the Basketball Arena Enhancement Project at the University of Houston;
7. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts exceeding \$1 million for the purchase of goods or services, excluding construction contracts, at the University of Houston System;
8. Approval is requested to delegate authority to the Chancellor to negotiate and execute construction contracts exceeding \$1 million for projects at the University of Houston;
9. Approval is requested to delegate authority to the Chancellor to negotiate and execute an amendment to a land lease for residential housing located at the University of Houston;
10. Approval is requested to delegate authority to the Chancellor to take all actions precedent to the acceptance of land in Sugar Land from the Texas Department of Transportation – University of Houston;

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11. Approval is requested to ratify a lease agreement and all subsequent lease amendments with Wharton County Junior College – University of Houston;
12. Approval is requested to delegate authority to the Chancellor to take all actions precedent to the acceptance of an additional gift of land from the City of Pearland – University of Houston-Clear Lake;
13. Approval is requested to delegate authority to the Chancellor to negotiate and execute an amendment to the space lease agreement between the City of Pearland and the University of Houston-Clear Lake;
14. Approval is requested of the Twenty-Sixth Supplemental Resolution, the Preliminary Official Statement, and the Notices of Sale authorizing the issuance of Board of Regents of the University of Houston Consolidated Revenue and Refunding Bonds, Series 2016A and Series 2016B (Taxable) – University of Houston System; and
15. Approval is requested to modify a University of Houston System banking resolution governing a bank account maintained for the benefit of the University of Houston-Clear Lake.

Executive Session Report:

At 2:41 p.m., Regent Armour announced that pursuant to Subchapter D of Chapter 551 of the Texas Government Code listed on page six (6) of the agenda, which allows governing boards to meet in closed session, Regent Armour stated the committee would convene in Executive Session.

Regent Armour reconvened the Finance and Administration Committee meeting in open session at 3:15 p.m. and stated that the regents had met in Executive Session and no action was taken in Executive Session.

There being no further business to come before the committee, the meeting adjourned at 3:15 p.m.

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

Others Present:

Renu Khator
Jim McShan
Paula Myrick Short
Dona Cornell
Ramanan Krishnamoorti

Raymond Bartlett
David Bradley
Mike Johnson
Mark Yzaguirre
Dan Maxwell

Michelle Dotter
Jeffrey Cass
Dick Phillips
Kenya Ayers
Sabrina Hassumani

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Eloise Dunn Stuhr
Jason Smith
Richard Walker
Richie Hunter
William Flores
William Staples
Raymond V. Morgan
Don Guyton
Wynne Chin
Anita Couch
Brian Thomas
Phil Booth
Shannon Harrison
Marquette Hobbs

Trent Williams
David Oliver
Hunter Yurachek
Mary Jo Parker
Dean Ruck
Joujou Zebdaoni
Andrew Cobos
Jonathan Snow
Nadar Ibrahim
Katie Brown
Joe Brueggman
Mike Glisson
Dan Wells
Brenda Robles

Pam Muscarillo
Emily Messa
Mark Clarke
Dan Yackley
Israel Cervantes
Eloy Perez
Jim Norcom III
Mike Emery
Iggy Harrison
Mr. & Mrs. Waggoner
Jon Aldrich
Don Price
Matthew Castillo
Gerry Mathisen