

33MINUTES
UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS
FINANCE AND ADMINISTRATION COMMITTEE

Wednesday, January 30, 2013 – The members of the Finance and Administration Committee of the University of Houston System convened at 10:14 a.m. on Wednesday, January 30, 2013 at the University of Houston, Waldorf Astoria Ballroom E, Second Floor, 4800 Calhoun, Houston, Texas, with the following members participating:

ATTENDANCE –

Present

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

Member(s) Absent

Tilman J. Fertitta, Member

Non-Member(s) Present

Roger F. Welder, Regent
Gage A. Raba, 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, Jarvis V. Hollingsworth, called the meeting to order.

Regent Hollingsworth stated there would be thirteen (13) approval items and one (1) informational item presented to the committee. Of the 13 approval items, nine (9) of them were requesting the delegation of authority to the Chancellor to negotiate and execute various contracts for the University of Houston and the University of Houston System. Regent Hollingsworth requested Dr. Carlucci address these nine (9) items first and at the conclusion of these presentations, Regent Hollingsworth would call for the committee's vote; and if approved, a motion would then be made to place these nine (9) items on the Board's Consent Docket Agenda for final board approval at the Board of Regents meeting held later in the day. At the conclusion of these approvals, the additional four (4) action items would be addressed and approved accordingly. If these additional items were approved by the committee, a motion would then be called to place these remaining four (4) items on the Board's Consent Docket Agenda for final Board approval.

Regent Hollingsworth then introduced the first item on the agenda, Item B, the approval of the minutes from the Finance and Administration Committee meeting held on August 15, 2012.

AGENDA ITEMS

Action Items:

1. Approval of Minutes – Item B

University of Houston System

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

- August 15, 2012, Finance and Administration Committee Meeting

Following the approval of the minutes, Regent Hollingsworth asked Dr. Carl Carlucci, Executive Vice Chancellor for Administration and Finance, to introduce the next action item listed on the agenda.

1. Approval is requested to delegate authority to the Chancellor to negotiate and execute insurance contracts for Fiscal Year 2013 - University of Houston System, Item C – F&A-C

Dr. Carlucci requested approval to delegate authority to the Chancellor to negotiate and execute insurance policy renewals for Fiscal Year 2013. This is the annual renewal of the University of Houston System's insurance policies. The State Office of Risk Management (SORM) administers the Property, Directors and Officers/Employment Practices/Educators Legal Liability and Automobile Insurance Programs. The current annualized insurance expense was approximately \$4.6 million and it is anticipated that a comparable package for FY2013 would be approximately \$4.9 million. The increase is a result of the addition of new buildings, recent claims and the University's overall growth, as well as premium increases in the overall insurance market. Unfortunately, not all policy quotations have been received to date thus the exact insurance premiums are unknown at this time; therefore, the request to delegate authority to the Chancellor to negotiate insurance coverage terms and purchase insurance policies will be an amount not to exceed \$5.5 million for FY2013.

Regent Hollingsworth requested that once the final amount is reached, Dr. Carlucci report that amount back to the committee for their reference.

On motion of Regent Armour, seconded by Regent Wilson, Jr., and by a unanimous vote of the members in attendance, the approval to delegate authority to the Chancellor to negotiate and execute insurance contracts for Fiscal Year 2013 was approved.

Dr. Carlucci addressed the next two items which are regularly brought to the board for consideration.

2. Approval is requested to delegate authority to the Chancellor to negotiate and execute a contract for providing electricity to all UHS components beginning January 1, 2014 when the current contract expires - University of Houston System, Item D – F&A-D;

Dr. Carlucci requested approval to delegate authority to the Chancellor to negotiate and execute a contract for providing electricity to all UHS components beginning January 1, 2014 when the current contract expires. The current UHS electrical contract with Noble America is expiring and the UH System would like to issue a Request for Proposal (RFP) for a competitive bid prior to the expiration of their contract. Dr. Carlucci stated that we would like to get a multi-year contract if we can lock in the price at a competitive rate.

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On motion of Regent Armour, seconded by Regent Wilson, Jr., and by a unanimous vote of the members in attendance, the approval to delegate authority to the Chancellor to negotiate and execute a contract for providing electricity to all UHS components beginning January 1, 2014 when the current contract expires was approved.

3. Approval is requested to delegate authority to the Chancellor to purchase natural gas for the University of Houston and University of Houston-Downtown beginning January 1, 2014 when the current contract expires – University of Houston System, Item E – F&A-E.

Dr. Carlucci introduced this item requesting approval to delegate authority to the Chancellor to purchase natural gas for the University of Houston and University of Houston-Downtown beginning January 1, 2014 when the current contract expires. Dr. Carlucci stated that natural gas is abundant and prices are good. Luminant is the current provider for natural gas. The university would like to issue a Request for Proposal (RFP) for a competitive bid prior to the expiration of this contract to determine which vendor can offer the best value. The university has been very successful with competitive RFPs in the past; and it is the hope we can lock in a good price and get a multi-year contract.

On motion of Regent Armour, seconded by Regent Wilson, Jr., and by a unanimous vote of the members in attendance, the approval to delegate authority to the Chancellor to purchase natural gas for the University of Houston and University of Houston-Downtown beginning January 1, 2014 when the current contract expires was approved.

4. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for banking and credit card processing services – University of Houston System, Item F – F&A-F

Dr. Carlucci presented this item to the committee requesting the delegation of authority to the Chancellor to negotiate and execute contracts for banking and credit card processing services. This item was for our operating bank not our custodial bank which is a separate contract. The largest part of this contract would be for credit card processing (both the credit cards for our students and anything we receive from our vendors). This was a competitive Request for Proposal (RFP) for banking services that was posted to the Texas Electronic State Business Daily in July 2012 by the UH Purchasing Department. The university received six (6) qualified submissions and the committee, headed by Mr. Raymond Bartlett, Treasurer and his evaluation team, recommended Bank of America which is our current provider. One advantage is there would be no new implementation for the university; we would be able to rollover the current systems. Bank of America scored the highest in the evaluation process; their pricing was the lowest compared to the other finalists; and their products, technology and services were considered among the best along with the other leading banks in our market.

On motion of Regent Armour, seconded by Regent Wilson, Jr., and by a unanimous vote of the members in attendance, the approval to delegate authority to the Chancellor to negotiate and execute contracts for banking and credit card processing services was approved.

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5. Approval was requested to delegate authority to the Chancellor to negotiate and execute four contracts to provide cleaning services to University of Houston buildings – University of Houston, Item G – F&A-G

Dr. Carlucci presented this item requesting approval to delegate authority to the Chancellor to negotiate and execute four contracts to provide cleaning services to University of Houston buildings. Dr. Carlucci stated that over the years, the board has encouraged the university to look for economies and efficiencies and one way to accomplish that is to contract or outsource those services that we can basically segment off and take to a private vendor. The four (4) proposed contracts is an attempt to service and focus on new space at the University of Houston. There were four (4) contract categories addressed as follows:

- (a) Science and Research Facilities initially being contracted include the New Health and Biomedical Facility, Optometry, Science and Teaching Laboratory and Science and Research 1;
- (b) Educational and General Facilities: Classroom and Business, Melcher and CEMO are all part of the Bauer College Business Complex and were the first E&G space awarded jointly in a second contract;
- (c) Food and Dining include all dining, food and campus storefronts for University Services. This includes Moody Dining, UC Satellite, Cougar Woods, Taco Cabana and UH Dining Services Offices; and
- (d) Cougar Village I and II, Cougar Place Replacement, and Bayou Oaks. The contract will be negotiated in spring of 2013 and in place by June 2013 prior to housing coming on line and transitioning back to the University of Houston.

Each contract would be a Service Order Contract that would allow the University to add or remove services or facilities/space as needed by Category of Space (1) Science and Research, (2) Food and Dining, (3) Educational and General Facilities, and (4) yet to be negotiated would be Student Housing and Residential Life. The comprehensive three-year contract total for all service categories would not exceed \$9 million.

On motion of Regent Armour, seconded by Regent Wilson, Jr., and by a unanimous vote of the members in attendance, the approval to delegate authority to the Chancellor to negotiate and execute four contracts to provide cleaning services to the University of Houston buildings was approved.

6. Approval is requested to delegate authority to the Chancellor to negotiate and execute a contract amendment for lease space for UHS at Lone Star College-University Park – University of Houston System – Item H, F&A-H

Dr. Carlucci presented this item and stated this was an extension to the existing contract for space at Lone Star College-University Park. Dr. Carlucci asked Dr. Marshall Schott, Associate Vice Chancellor for University Outreach and Programs, to address this item, along with the financials.

Dr. Schott stated in 2010 the Board approved the right to negotiate a contract with Lone Star College to develop the Northwest campus site in northwest Houston at 249 at Louetta. This

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is the old headquarters for Hewlett Packard which Lone Star purchased 1.5 million square feet of the HP campus and they have dedicated, at least currently, approximately 400,000 sq. ft. for academic purposes. At the present time, the university has approximately 54,000 sq. ft. that is being used between the University of Houston and UH-Downtown that includes a Welcome Center for both UH and UHD, as well as space for classrooms, faculty offices and student support. The enrollment has exceeded our projections. The University of Houston is simply out of space to do programmatic expansion. Accordingly, Dr. Schott requested the authority to negotiate with Lone Star to acquire an additional 16,000 sq. ft. which would give us six (6) additional classrooms, faculty offices, and it would also allow the university to develop a Mechanical Engineering Technology lab. The program the university is currently offering at northwest is almost the size of the program we currently have on campus in terms of semester credit hours, so there is a need for additional space at this particular location.

Dr. Schott stated we are projecting 10,500 credit hours for the 2014 fiscal year which is a fairly conservative estimate. We are well over 9,500 credit hours in the current fiscal year. Dr. Schott presented a brief overview of the pro forma for the UH Northwest campus and below is a summary of his comments.

- Operating expenses, University of Houston overhead contribution, and the additional funds that are required for build-out, FF&E equipping it with technology, would put the university in a small deficit for FY2014, but it would allow us to recover, generate additional enrollment, and go into the positive for FY2015.
- At this time, we were prepared to launch another MBA cohort, but we do not have the space;
- We have students who needed to graduate, who required a Mechanical Engineering lab course work that was unavailable to them; and
- We have three (3) other programs that have been approved by the Coordinating Board (CB) that are on hold until we can get additional space for expansion at Northwest.
- The three (3) programs that are currently pending and have been approved by the CB are:
 - (1) Proposal for Petroleum Engineering;
 - (2) Proposal for Petroleum Geosciences; and
 - (3) Master's Degree in Public Administration.
- The enrollment numbers were addressed.
- The university launched their programs in the Fall of FY2010 and from FY2010 to FY2012 the enrollment has grown 270%.
- Lone Star has done some very good demographic data. There are 500,000 people within a seven (7) mile radius of the Northwest campus, a lot of population with many of them being underserved as it relates to bachelor's and master's degrees.
- The programs currently offered at the Northwest campus have been very successful.
- We are the largest campus at this facility.
- The amendment would increase the total space leased by UHS by 16,000 sq. ft. to a total of 70,000 sq. ft., all additional space to be occupied by UH activities.
- The amendment would extend the term of the existing lease of space to UH and UHD to December 31, 2017.

The Board inquired about how the situation is when it comes to signage and identifying UH on the Northwest campus. Dr. Schott stated that there have been discussions with Lone Star

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regarding improving the signage for both UH and UHD; and Regent Wilson, Jr. suggested that some kind of commitment for signage be incorporated into the contract amendment. A lengthy discussion and comment session followed.

On motion of Regent Armour, seconded by Regent Wilson, Jr., and by a unanimous vote of the members in attendance, the approval to delegate authority to the Chancellor to negotiate and execute a contract amendment for lease space for UHS at Lone Star College-University Park was approved.

7. Approval is requested to delegate authority to the Chancellor to negotiate and execute a ground lease for development of housing on university property on Calhoun Road – University of Houston, Item H – F&A-I

Dr. Carlucci introduced this item to the committee which had previously been approved by the Board 10 years ago. This item was being brought back for consideration because Dr. Carlucci felt it should be reconsidered due to the 10 year old approval. This is a piece of land on Calhoun Road across from Bayou Oaks that 10 years ago an agreement was made to lease the land to Delta Upsilon fraternity so that they could build a fraternity house. After eight (8) years and no progress, the university returned their deposit and told them that we had other use for the land (which would now be used for parking).

The Delta Upsilon fraternity is proposing to construct a fraternity house; the lease term would be 40 years; they would have to maintain and operate the facilities; and they would have to purchase parking permits from the University of Houston as needed. Dr. Carlucci stated that before we continue with negotiations, he wanted to bring it to the committee for further consideration because of the commitment made 10 years earlier.

Several questions were raised by the committee concerning this item. Dr. Richard Walker, Vice Chancellor for Student Affairs has had discussions with the fraternity and was requested to brief the committee and answer any questions. An overview of Dr. Walker's comments is listed below.

- Original commitment was made in May 2002 and the fraternity was not as prepared to move as quickly, originally in 2002.
- They had come back to us to ask specifically to honor the original agreement from 2002; they are now prepared to move forward.
- What we have said to them was that we would place a time restriction if we were to move forward with this negotiation; when they would need to be completed which means they would need to have the property essentially built and completed and ready for occupancy; and we would not let this drag out another 10 years.

Question: Regent Hollingsworth asked as to why they did not develop the property and whether or not the delay was due to financial issues.

Reply: Dr. Walker stated he believed that it most likely had been financial and that they were not ready financially to take on the commitment.

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Question: Regent Hollingsworth asked if their financial situation had changed.

Reply: Dr. Walker stated they think they are in much better shape financially to do this.

Question: Regent Hollingsworth wanted to know if due diligence had been done to determine if they are, in fact, financially able to take on this commitment.

Reply: Dr. Walker stated this commitment was not actually with the undergraduate chapter but rather with the HADU Housing Corporation which is comprised of alums. Their lead attorney on this matter is a real estate attorney who we have been talking to and they would be the ones guaranteeing the financial commitment not the undergraduate chapter. They would be responsible for the house, maintain it, and abide by all of the university's rules and regulations for students who live on any of our housing properties and follow the code of conduct.

Question: Regent Wilson, Jr. asked what has the university done with the Greek system; were they spread out on the campus; what was the history?

Reply: Dr. Walker stated the Greek housing is concentrated in Bayou Oaks. The university has 46 fraternities and sororities. Currently, there are 16 townhouses in Bayou Oaks and 15 townhouses are occupied by fraternities and sororities. Sigma Chi is the only fraternity that has bought their own house to renovate. The university is in the process of changing the entire management structure of how we are going to operate Greek housing in the future. Bayou Oaks is currently being managed by American Campus Communities which is not a part of our housing management process. This summer, the university will be taking it back over and bringing it back under the university. We will be starting a new structure which Dr. Walker stated he has been working with all of the Greek alumni and house corporations on the new management structure for the management of Bayou Oaks. All of the groups who will be returning to a chapter will now be going up for a renewal process through us and will actually sign master lease agreements with housing corporations to help us manage the properties for all of Bayou Oaks; and we will still sign individual agreements with the students who live there. A discussion followed.

Dr. Carlucci stated further that:

- The way we were offering the lease - any purchase of the property would be at fair market value.
- The university's experience has been that allowing the fraternities to manage their own housing, and even with a private manager, the university was not satisfied with the quality of the maintenance and the condition. We have said to them that should they build their own house, they would be responsible for it; we told them what our standards are; and what we want done.
- They have asked that we guarantee the loan; and we have stated no. Should they abandon the property, we would only give them fair market value.
- They may be unable to finance the deal and we would not back the loan.

Chancellor Khator commented that she agreed with the financial concerns of this transaction and her direction to Dr. Carlucci was that we would not undertake their debt. If they cannot make the financials work and give it a certain time period (two – three years) of negotiations, then after that we should get out of it; use the property for something else. The university

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should give them a certain period of time so we are not locked into another 10 years and the property is not being used for anything.

Dr. Walker stated that if we did execute the lease, they would have a two-year time period in which they must complete construction.

Regent Hollingsworth asked Student Regent Gage Raba for his comments on this matter. Regent Raba affirmed that this was a very sensitive subject, especially when it comes to the Greek life and housing situation. He felt it would behoove the university to allow them to try to raise financial funds and continue with the execution and building of a house on that parcel of land. It would be a huge benefit not only to Bayou Oaks and the university but as well to the growth of that organization. They are an open fraternity not a secret society so all of their meetings and actions are open to the public and anyone can join. They post their meetings online so as far as the organizations are concerned it would be one of the most prime fraternities to be allowed given the opportunity as far as moving into their own house. It would be a wonderful thing for the system, Greek system and on campus housing.

Regent Hollingsworth stated he would like to balance both issues: (1) financing within a certain time period; and (2) timeline for construction. Regent Hollingsworth suggested that it come back to the committee for consideration once they have secured financing. His preference would be, with the approval of the committee members, to have a fixed time period for them to secure financing unrelated to the 40-year lease. Dr. Carlucci said they would not be able to secure financing without a lease. Mr. Mark Yzaguirre, Associate General Counsel for Contracts Administration was asked for his knowledge on the lease issue.

Mr. Yzaguirre stated that in regards to the lease, we could put in provisions that state they must have financing by- and construction at a set time. Mr. Yzaguirre stressed that if we were to move forward with the signing of this document, it would be a lease; and as such, depending on the terms within the lease, they could come back and ask for an extension. Regent Wilson, Jr. proposed a contract to lease and that this would be a viable option. Regent Wilson, Jr. also stated he would like to see how Greek housing fit into the master plan.

After further discussions, Regent Hollingsworth stated he would be supportive of a contract to lease versus a ground lease and if what comes back to the committee at the proposed Finance and Administration Committee meeting in March 2013 is that this does not give us what we need to secure the financing to develop the property then the committee has another decision to make. Therefore, rather than negotiate a ground lease, negotiate a contract to lease and come back to the committee in March for consideration and final execution.

On motion of Regent Armour, seconded by Regent Wilson, Jr., and by a unanimous vote of the members in attendance, the item was amended to grant approval to delegate authority to the Chancellor to negotiate a contract to lease for the property, consistent with the comments made, for development of housing on university property on Calhoun Road, and to bring it back to the committee in March for further consideration.

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8. Approval is requested to delegate authority to the Chancellor to negotiate and execute a contract for providing office supplies to the University of Houston beginning September 1, 2013 when the current contract expires – University of Houston, Item J – F&A-J

Dr. Carlucci introduced this item requesting approval to delegate authority to the Chancellor to negotiate and execute a contract for providing office supplies to the University of Houston beginning September 1, 2013 when the current contract expires. The UH System is issuing a new competitive Request for Proposal (RFP) for office supplies to determine which vendor can offer the best value for the University of Houston and this contract will be offered to all UHS components who may want to participate in the contract. The current contract is with Today's Business Solutions and it expires on September 1, 2013. The University of Houston spent \$2.1 million on office supplies in FY2012.

On motion of Regent Armour, seconded by Regent Wilson, Jr., and by a unanimous vote of the members in attendance, the approval to delegate authority to the Chancellor to negotiate and execute a contract for providing office supplies to the University of Houston beginning September 1, 2013 when the current contract expires was approved.

9. Approval is requested to delegate authority to the Chancellor to negotiate and execute a contract for providing comprehensive facilities and event management services for the University of Houston athletic facilities – University of Houston System, Item K – F&A-K

Dr. Carlucci presented this item requesting approval to delegate authority to the Chancellor to negotiate and execute a contract for providing comprehensive facilities and event management services for the University of Houston athletic facilities. This proposal is for the creation of a public/private partnership (PPP). The use of public/private partnerships has been fairly successful, particularly in areas such as the development of public infrastructure and public utilities. In this particular case, Dr. Carlucci proposed a public/private partnership to promote, book and operate athletic venues on the University of Houston campus.

Dr. Carlucci is looking for a successful PPP that would create a shared responsibility for success of UH venues. We have athletic venues that we use for our own athletic events and that would always be our first priority, but Dr. Carlucci stated that if we were to take the football stadium as an example, we have 6-7 games a year, some practices, but we have many days in which that stadium could be booked for other uses. In the past, Athletics was able to rent to the Dynamo, but we now know the Dynamo has their own stadium.

Dr. Carlucci stressed we are now looking for a partner who would aggressively promote, recruit and book our events. They would operate them, collect the revenue, and most importantly, share the profits with UH Athletics. There have been many discussions on this matter as to how to define it. A RFP has not been issued for a partnership before so there has been a struggle with whether or not to do it as a sole source or RFP. In talking to the board, Dr. Carlucci stated the board's recommendation was to do it as a RFP. The goal was not to create a service contract but rather to create a partnership because what makes these PPPs work is that there is a shared goal and a shared risk.

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Regent Hollingsworth stated he understood that the UH football stadium would be the primary or largest component of the contract but he inquired as to how many other venues on campus would be included and what type of total square footage? Dr. Carlucci did not have the square footage offhand, but the primary venues would be the football stadium and Hofheinz Pavilion; and then we would try to add Cullen Performance Hall as well as the outdoor venues – track and field, softball, etc. Dr. Carlucci emphasized that the most important thing we were focusing on, was how many non-UH events can this PPP bring to UH - their ability to book, to recruit, and to get events into our facilities.

This is a very complex contract. Ms. Cornell stated we could do this as a standard RFP and a standard contract. If we follow this process, it would be a 14-day turnaround. If we are talking about a more involved, going through the new statute for public/private partnerships, then that is a much longer process. Regent Armour stressed the importance of having a quick turnaround and also to be able to keep component of revenue sharing. Whatever option is chosen, the board wants to make certain that those elements are included, stated Regent Hollingsworth. Since this is a very complex procurement, and if it takes longer than 14-days, then that is alright as long as we meet the minimum; we can extend it 30-days; the administration can review these issues and asked them to come back to the committee with their recommendation as to how this can be accomplished at our March meeting. A lengthy discussion followed.

Regent Hollingsworth called for a motion and amended the approval of this item as noted.

On motion of Regent Armour, seconded by Regent Wilson, Jr. and by a unanimous vote of the committee members in attendance, the approval to delegate authority to the Chancellor to solicit and negotiate the agreement as part of the finance plan for providing comprehensive facilities and event management services for the UH athletic facilities, which will come back to the committee for consideration at the special meeting in March, was approved.

10. Approval of changes to the voluntary and optional fees and charges for the University of Houston System universities – University of Houston System, Item L – F&A-L

Dr. Carlucci introduced this item and requested Dr. Richard Walker assist in presenting the University of Houston proposed rate increase and Mr. Wayne Beran, Vice President for Finance at the University of Houston-Victoria campus present the UH-Victoria proposed housing and meal rates increase(s) for their campus.

University of Houston Housing Rates

Dr. Walker requested committee approval for the increase in the University of Houston student housing rate for the academic year 2013-2014. The proposal was for a 3% increase for all facilities except for Calhoun Lofts which there would be no proposed increase. The proposed rate increase had been approved by the Student Housing and Residential Life Advisory Committee which is comprised of students, faculty and staff. Additionally, two student town hall meetings were held regarding the proposed rates for 2013-2014. The reason for the proposed rate increase relates to the increase in operating costs, offsetting deferred maintenance costs, and additional debt service for new construction. A comparison

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had also been done with eight (8) of our primary competitor institutions within the State of Texas to see what their current rates were; and currently in comparing the other eight (8) institutions for suite-style housing and for community bathroom housing, the University of Houston was under the average, but for apartments the University of Houston was above the average. Thirty chief housing officers within the Texas region were surveyed regarding what they were anticipating their rate increases to be. In 22 of the institutions surveyed, the anticipated increase was an average of 4.9% and they ranged anywhere from a low of 1.9% to a high of 9.4%.

A market study was also completed specifically as it related to our apartment housing. Dr. Walker stated the university looked at 35 properties that typically our students have an interest in living in around campus; and what we discovered in the market study for the area of Houston was as follows:

1. One bedroom – Low of \$774; Average of \$1,109; High of \$1,430
2. Two bedrooms – Low of \$533; Average of \$778; High of \$1,060
3. Three bedrooms – Low of \$507; Average of \$769; and High of \$907.

The average rates at Calhoun Lofts vs. the Houston area were addressed as follows:

1. One bedroom – Average of \$1,109 vs. Average of \$1,232
2. Two bedrooms – Average of \$778 vs. Average of \$894
3. Three bedrooms – Calhoun Lofts do not have three bedroom apartments.

As a result of this survey was the reason why no rate increase was requested for Calhoun Lofts.

Two new housing properties will be added to the UH campus: (1) Cougar Village II (will be the same rate as Cougar Village I); and Cougar Place (will be based on the pro forma). Of the three apartment facilities available to students (Cullen Oaks, Cambridge Oaks and Calhoun Lofts), only one – Cullen Oaks – proposed a 3% increase; there was no proposed increase for the other two – Cambridge Oaks and Calhoun Lofts. A discussion followed.

University of Houston-Victoria Housing and Meal Rates

Mr. Wayne Beran met with American Campus Communities, who do manage their properties, to discuss a rate increase. The student housing rate increase of 3% would offset deferred maintenance costs, operating costs, and additional debt service for new construction. The meal plan increases are due to inflation and to support additional dining services including renovation for expanded capacity for 350 more diners (to 650) with several new stations more square footage and more seating. This represents the first meal plan rate increase since its inception in Fall 2010.

A UH-Victoria housing cost comparison was completed comparing UH-Victoria to several other similar universities in the region. UH-Victoria, when compared to housing cost per semester (2/1 shared) would still have the lowest dorm rate in Texas per semester at \$2,275. The new facility at UH-Victoria, Jaguar Suites, when compared to housing cost per semester (4/1 shared) is coming in the average range at \$3,000 per semester.

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Mr. Beran stated that depending on your meal plan and housing, the increase rate would be between 3% - 5%.

On motion of Regent Armour, seconded by Regent Wilson, Jr., and by a unanimous vote of the members in attendance, the approval of changes to the voluntary and optional fees and charges for the University of Houston System universities was approved.

11. Approval is requested to write-off aged delinquent accounts and notes receivable for FY2012 – University of Houston System, Item M – F&A-M

Dr. Carlucci introduced this item requesting approval to write-off aged delinquent accounts and notes receivable for FY2012 for the University of Houston System that have aged more than two (2) years totaling \$6,762,191 (in 14,196 student and 13 sponsor accounts). For FY2011, write-off for all universities was \$5,846,961 (14,697 student and 10 sponsor accounts). State universities are required by law to extend credit to students without consideration of credit history or ability to repay. A breakdown for each campus is listed below.

	<u>FY2012</u>
University of Houston -	\$5,831,346
UH-Clear Lake -	215,925
UH-Downtown -	348,210
UH-Victoria -	<u>366,710</u>
Total	\$6,762,191

All UHS components, accounts and notes receivable, other than federal loan programs, are written off if more than two years past due and collection efforts have been exhausted. Federal regulations do not permit the write-off of federal loans. Each campus has established a reserve for uncollectible federal loans to report receivables at a realistic asset value.

On motion of Regent Armour, seconded by Regent Wilson, Jr., and by a unanimous vote of the members in attendance, the approval to write-off aged delinquent accounts and notes receivable for FY2012 for the University of Houston System was approved.

12. Approval is requested to modify banking resolutions for the University of Houston-Clear Lake and the University of Houston-Victoria - University of Houston System, Item N – F&A-N

Dr. Carlucci presented this item requesting approval to modify banking resolutions for the University of Houston-Clear Lake and University of Houston-Victoria operating accounts at Bank of America due to personnel changes. The other change was the removal of the facsimile signature language from UH-Victoria's operating account resolution as this was inserted into the banking resolution governing their disbursement account a few years ago. Other changes to the documents were for formatting reasons.

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On motion of Regent Armour, seconded by Regent Wilson, Jr., and by a unanimous vote of the members in attendance, the approval to modify banking resolutions for the UH-Clear Lake and UH-Victoria was approved.

13. Approval is requested to renew investment resolutions for the University of Houston System – University of Houston System, Item O – F&A-O

Dr. Carlucci presented this item requesting approval to renew investment resolutions for the University of Houston System. At this time, there were no changes in persons authorized to make investment decisions. These resolutions need to be reauthorized periodically.

On motion of Regent Armour, seconded by Regent Wilson, Jr., and by a unanimous vote of the members in attendance, the approval to renew investment resolutions for the University of Houston System was approved.

At the conclusion of the last approval item presented, Regent Hollingsworth called for a motion to place all 13 of the action items presented and approved by the committee on the Board of Regent's Consent Docket Agenda for final Board approval at the Board meeting scheduled on January 30, 2013.

On motion of Regent Armour, seconded by Regent Wilson, Jr., and by a unanimous vote of the members in attendance, the following 13 items will be placed on the Board's Consent Docket Agenda for final Board approval at the Board of Regents meeting scheduled on January 30, 2013.

1. Approval is requested to delegate authority to the Chancellor to negotiate and execute insurance contracts for Fiscal Year 2013 – UH System;
2. Approval is requested to delegate authority to the Chancellor to negotiate and execute a contract for providing electricity to all UHS components beginning January 1, 2014 when the current contract expires – UH System;
3. Approval is requested to delegate authority to the Chancellor to purchase natural gas for the University of Houston and University of Houston-Downtown beginning January 1, 2014 when the current contract expires – UH System;
4. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for banking and credit card processing services – UH System;
5. Approval is requested to delegate authority to the Chancellor to negotiate and execute four contracts to provide cleaning services to University of Houston buildings – UH;
6. Approval is requested to delegate authority to the Chancellor to negotiate and execute a contract amendment for lease space for UHS at Lone Star College-University Park – UH System;
7. Approval is requested to delegate authority to the Chancellor to negotiate and execute a contract to lease, consistent with the comments made, for development of housing on university property on Calhoun Road – UH;
8. Approval is requested to delegate authority to the Chancellor to negotiate and execute a contract for providing office supplies to the University of Houston beginning September 1, 2013 when the current contract expires – UH;

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9. Approval is requested to delegate authority to the Chancellor to handle the solicitation to negotiate the agreement as part of the finance plan for providing comprehensive facilities and event management services for the UH athletic facilities – UH;
 10. Approval of changes to the voluntary and optional fees and charges for the University of Houston System universities – UH System;
 11. Approval is requested to write-off aged delinquent accounts and notes receivable for FY2012 – UH System;
 12. Approval is requested to modify banking resolutions for the University of Houston-Clear Lake and the University of Houston-Victoria – UH System; and
 13. Approval is requested to renew investment resolutions for the University of Houston System – UH System.
14. Presentation of the Fiscal Year 2012 University of Houston System Annual Financial Report Summary – University of Houston System, Item P – F&A-P

Dr. Carlucci presented an overview of the powerpoint presentation detailing the FY2012 University of Houston System Annual Financial Report (AFR) Summary. Mr. David Ellis, Executive Director of Financial Reporting, was also available to answer questions on the AFR. Below is a brief summary of Dr. Carlucci’s and Mr. Ellis’s remarks.

- FY2012 Annual Financial Report Timeline was addressed;
- UHS Combined FY2012 Results of Operations were reviewed.
 - Revenues totaled \$1,230.9 million. A breakdown of revenues was outlined as follows:
 - (a) Tuition and Fees – 42%
 - (b) State Appropriations – 21%
 - (c) Contracts and Grants – 16%
 - (d) Other Operating – 12%
 - (e) Endowment/Gifts – 5%
 - (f) HEAF – 4%
 - Expenses totaled \$1,119.6 million. A breakdown of expenses was addressed as follows:
 - (a) Student Access and Success – 68%
 - (b) Infrastructure and Administration – 17%
 - (c) National Competitiveness – 11%
 - (d) Community Advancement – 4%
 - Expenses excluded construction spending.
- UHS Combined Analysis of Revenues – FY2009-FY2012 was outlined as follows:

(\$ Millions)

	2009 <u>Actual</u>	2010 <u>Actual</u>	2011 <u>Actual</u>	2012 <u>Actual</u>	2012 <u>Budget*</u>
1. State Appropriations	\$ 284.4	\$ 281.1	\$ 274.4	\$ 253.7	\$ 251.6
2. HEAF	53.3	53.3	50.9	58.8	50.9
3. Tuition & Fees	398.9	437.0	484.0	516.1	501.2
4. Other Operating	104.9	111.4	135.3	146.8	114.9
5. Contracts & Grants	173.4	221.9	251.2	196.3	240.5

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6. Endowment/Gifts	58.8	65.1	60.1	59.2	30.9
Total	\$ 1,073.7	\$1,169.8	\$ 1,249.7	\$ 1,230.9	\$ 1,190.0

*FY2012 Budget as adopted on 8-17-2011

- UHS Combined Analysis of Operating Expenses – FY2009-FY2011 were addressed as follows:

(\$ Millions)

	2009 <u>Actual</u>	2010 <u>Actual</u>	2011 <u>Actual</u>	2012 <u>Actual</u>	2012 <u>Budget*</u>
1. Student Access/Success	\$ 686.2	\$ 757.5	\$ 789.0	\$ 764.8	\$ 784.0
2. Nat'l Competitiveness	107.6	120.6	121.6	119.1	142.1
3. Infrastructure & Admin.	193.7	177.1	178.3	189.2	228.7
4. Community Advancement	42.9	43.9	42.5	46.5	35.2
Total	\$ 1,030.4	\$1,099.1	\$1,131.4	\$1,119.6	\$1,190.0

*FY2012 Budget as adopted on 8-17-2011

- UHS Combined Analysis of Liability Balances & Equity Balance – FY2009-FY2012 on August 31, 2012 was outlined and is summarized below:

(\$ Millions)

	2009 <u>Actual</u>	2010 <u>Actual</u>	2011 <u>Actual</u>	2012 <u>Actual</u>
Liabilities				
1. Payables & Accrued Liabilities	\$ 100.7	\$ 89.3	\$ 91.6	\$ 94.6
Consisting of:				
2. Accounts payable & accruals	43.7	29.2	27.9	30.5
3. Payroll payable	57.0	60.1	63.7	64.1
4. Bonds & Long Term Obligations	\$ 629.4	\$ 712.4	\$ 724.5	\$ 909.2
5. Other Liabilities	\$ 856.8	\$ 937.8	\$ 902.7	\$ 1,052.2
Consisting of:				
6. Deferred revenue	166.1	171.5	181.0	184.4
7. Deposits held for others	14.2	12.8	9.5	9.0
8. Asset held for UHS components	662.9	722.9	681.3	823.8
9. Other commitments & defer chg.	13.6	30.6	30.9	35.0
10. Total Liabilities	<u>\$ 1,586.9</u>	<u>\$ 1,739.5</u>	<u>\$ 1,718.8</u>	<u>\$ 2,056.0</u>
11. Total Equity Balance	<u>\$ 1,038.8</u>	<u>\$ 1,182.1</u>	<u>\$ 1,316.0</u>	<u>\$ 1,448.7</u>

- UHS Combined Revenues by UHS Component – FY2012 was outlined as follows:

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(\$Millions)

	<u>State Appropriations</u>	<u>HEAF/ NRUF</u>	<u>Tuition & Fees</u>	<u>Other Operating</u>	<u>Contracts & Grants</u>	<u>Endow/ Gifts</u>	<u>Actual 2012 Total</u>
1. Univ. of Houston	\$ 155.0	\$ 43.8	\$ 381.6	\$ 124.8	\$ 138.3	\$ 52.9	\$ 898.4
2. UH-Clear Lake	29.2	5.2	49.7	3.2	13.5	0.8	101.6
3. UH-Downtown	25.0	7.4	63.6	7.8	38.3	1.5	143.6
4. UH-Victoria	17.0	2.4	21.2	1.5	6.2	0.6	48.9
5. UH System Admin.	27.5	--	--	9.5	--	3.4	40.4
UH System Total	<u>\$ 253.7</u>	<u>\$ 58.8</u>	<u>\$ 516.1</u>	<u>\$ 146.8</u>	<u>\$ 196.3</u>	<u>\$ 59.2</u>	<u>\$ 1,230.9</u>

- UHS Combined Expenses by UHS Component – FY2012 was outlined as follows:

(\$ Millions)

	<u>Stu Access & Success</u>	<u>National Competitiveness</u>	<u>Infrastructure & Admin.</u>	<u>Community Advancement</u>	<u>Actual 2012 Total</u>
1. Univ. of Houston	\$ 544.5	\$ 114.6	\$ 105.3	\$ 40.5	\$ 804.9
2. UH-Clear Lake	76.0	0.9	21.5	0.8	99.2
3. UH-Downtown	100.0	2.6	22.8	4.3	129.7
4. UH-Victoria	38.9	0.1	6.7	0.8	46.5
5. UH System Admin	5.4	0.9	32.9	0.1	39.3
UH System Total	<u>\$ 764.8</u>	<u>\$ 119.1</u>	<u>\$ 189.2</u>	<u>\$ 46.5</u>	<u>\$1,119.6</u>

- UHS Combined Asset, Liability and Equity Balances by UHS Component on August 31, 2012 was addressed as follows:

(\$Millions)

	<u>Univ. of Houston</u>	<u>UH Clear Lake</u>	<u>UH Downtown</u>	<u>UH Victoria</u>	<u>UHS Admin.</u>	<u>UH System 2012 Total</u>
Assets						
1. Cash, Appropriations & Investments	\$ 356.6	\$ 25.9	\$ 42.4	\$ 9.5	\$ 896.7	\$ 1,331.1
2. Capital Assets, Net of Depreciation	827.2	74.2	94.2	22.4	56.5	1,074.5
3. Other Assets	<u>874.9</u>	<u>57.5</u>	<u>63.2</u>	<u>59.7</u>	<u>43.8</u>	<u>1,099.1</u>
4. Total Assets	<u>\$2,058.7</u>	<u>\$ 157.6</u>	<u>\$ 199.8</u>	<u>\$ 91.6</u>	<u>\$ 997.0</u>	<u>\$ 3,504.7</u>
Liabilities						
5. Payables & Accrued Liabilities	\$ 66.8	\$ 6.6	\$ 8.2	\$ 2.7	\$ 10.3	\$ 94.6
6. Bonds & Long Term Obligations	743.2	37.4	52.0	51.5	25.1	717.1
7. Other Liabilities	<u>165.9</u>	<u>23.4</u>	<u>26.6</u>	<u>11.6</u>	<u>824.7</u>	<u>1,052.2</u>
8. Total Liabilities	<u>\$ 975.9</u>	<u>\$ 67.4</u>	<u>\$ 86.8</u>	<u>\$ 65.8</u>	<u>\$ 860.1</u>	<u>\$ 2,056.0</u>
9. Total Equity Balance	<u>\$1,082.8</u>	<u>\$ 90.2</u>	<u>\$ 113.0</u>	<u>\$ 25.8</u>	<u>\$ 136.9</u>	<u>\$ 1,448.7</u>

Regent Hollingsworth stated he would like to set a reserve so the university would always be protected. A discussion followed.

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This item was presented for information only and required no committee action. A complete copy of this presentation has been filed in the Board office.

There being no further business to come before the committee the meeting adjourned at 12:36 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
Carl Carlucci
Paula Myrick Short
Dona Cornell
Rathindra Bose
Eloise Dunn Stuhr
Elwyn Lee
Richard Walker
William Flores
David Ellis
Malcolm Davis
Eno Udoh
Dan Maxwell
Connie Howard
Gerry Mathisen

Don Guyton
Mark Yzaguirre
Steve Wallace
Ed Hugetz
Mike Emery
Wayne Beran
Daniel Arp
Valerie Coleman
Troy Golden
Tom Ehardt
Maria Soliña
Marshall Schott
Ed Jones
Brenda Robles

Craig Ness
Emily Messa
Karen Clarke
Carl Stockton
Willie Munson
Don Yackley
Caesar Moore
Karen Livingston
Raymond Bartlett
Chris Stanich
Mike Glisson
Oscar Gutierrez
Jon Aldrich
Marquette Hobbs