

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

Wednesday, May 12, 2010 – The members of the Finance and Administration Committee of The University of Houston System convened at 8:40 a.m. on Wednesday, May 12, 2010, at the University of Houston in the Athletics/Alumni Center, Melcher Board Room 100B, 3100 Cullen Boulevard, Houston, Texas, with the following members participating:

ATTENDANCE –

Present

Carroll Robertson Ray, Vice Chair
Nandita V. Berry, Member
Welcome W. Wilson, Sr., Ex Officio

Absent

Jim P. Wise, Chair

In accordance with a notice being timely posted with the Secretary of State and there being a quorum present, Vice Chair of the Committee, Carroll Robertson Ray, called the meeting to order.

AGENDA ITEMS

1. Approval of Minutes – Item B

On motion of Regent Berry, seconded by Regent Wilson and by a unanimous vote, the following minutes from the meeting(s) listed below was approved:

- February 10, 2010, Finance and Administration Committee Meeting

2. Approval is requested for the University of Houston System FY2011 Plan and Budget – UH System - Item C – F&A – 1

Dr. Carlucci, Executive Vice Chancellor for Administration and Finance presented this item to the committee. A background of the budget and the budget process was addressed. Dr. Carlucci introduced Mr. Tom Ehardt, Associate Vice Chancellor/Vice President for Finance, and below is an outline of his remarks.

Mr. Ehardt stated the first step in the budget process is the calendar. There are multiple cycles within the budget calendar. As the budgets and the Legislative Appropriations are prepared there are numerous considerations, both internal and/or external, to be considered:

- (1) Enrollment and enrollment demand;
- (2) State Performance Measures;
 - Legislative
 - Coordinating Board

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- (3) Resources;
- (4) Sustaining on-going operations;
- (5) Academic excellence;
- (6) Diversity;
- (7) Research expectations and support;
- (8) Partnerships; and
- (9) Faculty and staff recruitment and retention.

Several slides were presented that showed where the University of Houston was in relation to the State of Texas FY2010-11 Biennial Appropriations.

The total State of Texas biennial budget totaled approximately \$182.2 billion and was broken down as follows:

- (1) Agencies of Education – 41%;
- (2) Health and Human Services – 33%;
- (3) Business and Economic Development – 11%;
- (4) Public Safety and Criminal Justice – 6%;
- (5) American Recovery and Reinvestment Act – 3%;
- (6) General Government – 3%;
- (7) Natural Resources – 2%; and
- (8) Other – 1%.

The State of Texas appropriations to the Agencies of Education for the FY2010-11 biennium was approximately \$75.5 billion. Drilling down further, General Academics within the State of Texas for the FY2010-11 biennium approximately \$6.4 billion was appropriated and the University of Houston received approximately \$458 million or 7% of this total.

Mr. Ehardt gave a short summary on the history and facts of Texas Formula Funding.

- Texas is a pioneer in the development of college and university formula funding;
- Texas Commission on Higher Education created in 1955 with a mandate to establish formulas;
- In 1959 the legislature first used formulas in the funding of FY1960 and FY1961;
- In 1965 the Texas Higher Education Coordinating Board (THECB) created with expanded authority;
- Number of formulas in used varied from 1960 until the present;
- Nearly 40 institutional representatives are involved in the formula development and review process;
- 60% of funds appropriated to general academic institutions flow through the funding formulas;
- In April 2010, THECB proposed formulas to the legislature for FY2012 and FY2013; and
- In making formula recommendations, the THECB considers the following:
 - (a) The formulas should indicate funding needed to provide a first-class higher education system;
 - (b) The formula should provide an equitable distribution of available funds among institutions;

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- (c) Per-student funding should increase to the national average then to the average of the ten most populous states; and
- (d) The formula system is not designed for use as an institution's internal operating budget.

A flowchart of the review, modification and funding of higher education for the FY2012 and FY2013 biennium was shown which started in September 2009 with the Formula Advisory Committee and ends in June 2011 with the Governor's Line-Item Veto & Signature.

Elements of formula funding for the FY2010-11 biennium was addressed by Mr. Ehardt and a brief overview of his remarks is listed below. Credit hours are funded differently depending on the curriculum and the level of instruction: lower division; upper division; masters, doctoral, or special professional class.

1. Instruction and Operations Formula is about 81% of total formula (funding for faculty salaries, DOE, Instructional Administration, Library, Research Enhancement, Student Services, Institutional Support). Funding equals semester credit hours times 62.19 times rate.
2. Teaching Experience Supplement is approximately 3% of total formula. Annual funding equals 10% of funds generated above undergraduate hours taught by tenured or tenure-track faculty.
3. Educational & General Space Support is about 16% of total formula (funding for Physical Plant and Utilities). Annual funding equals the Coordinating Board's space standard in E&G square feet times \$6.21/square feet.

The University of Houston System Operating Budgets (\$ in millions) were mentioned and over a ten-year period from FY2000 to FY2010 our operating budget nearly doubled in size: \$593.3 in FY2000 to \$1,095.0 in FY2010.

Funds managed by the University of Houston is summarized below.

1. All Funds
 - (a) Endowment Funds
 - (b) Loan Funds
 - (c) Current Funds
 - (d) Plant Funds
 - (e) Agency Funds

Current Funds is what is being budgeted and is broken down as follows:

1. General
 - (a) Statutory & Lab Fees
 - (b) Administrative Fees, Investment Income
 - (c) State Appropriations
 - (i) Formula Funding – Operations
 - (ii) Formula Funding – Physical Plant
 - (iii) Special Items
 - (iv) Staff Benefits
 - (v) Higher Education Assistant Fund (HEAF)
 - (vi) Construction bond debt service

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2. Designated
 - (a) Designated Tuition (General and Differential)
 - (b) Premium Tuition
 - (c) College and Course-based Fees
 - (d) Technology Fee, Library Fee
 - (e) Endowment and Investment Income
 - (f) Sales and Service, Indirect Cost Recovery
3. Auxiliary
 - (a) Student Service Fee
 - (b) Rc and Wellness Center Fee, UC Fee
 - (c) Residence Halls, Food Service, Hotel Bookstore, Athletics, Parking
4. Grants and Contracts
 - (a) Governmental Contracts and Grants
 - (b) Private Grants
 - (c) Texas Grant
5. Gifts
 - (a) Private Gifts
 - (b) Endowment Income

The University of Houston System Budget Principles were addressed. For FY2010, the budget principles established were:

- Maintain a balanced budget;
- Appropriate use of revenue, recurring vs. non-recurring revenues, restricted and unrestricted revenue;
- Focus expenditures on BOR priorities;
- Continue to invest in the growth and retention of faculty and staff; and
- Continue to invest in and maintain campus infrastructure, physical and electronic.

And for FY2011, the following budget principles were added:

- Reduce by 5% spending from our State Appropriation;
- Reallocation of resources to priority instructional initiatives, new faculty and new instructional sites;
- Promote enrollment growth, add new faculty and sections; and
- Faculty and staff recruiting and retention programs at each campus.

Dr. Carlucci stated that the University of Houston System had addressed the anticipated shortfalls of the State (\$12 billion to possibly as high as \$18 billion); and he felt that the State's economic problems were going to have an impact and we had to get ready for it. Dr. Carlucci stated we addressed this problem as the summary of the University of Houston System Combined FY2011 vs. FY2010 Budget (\$ Millions) would show.

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<u>Operating & Restricted Budget</u>	<u>Current FY2010 Budget</u>	<u>..... Change</u>		<u>New FY2011 Budget</u>
		<u>Dollars</u>	<u>%</u>	
Source of Funds				
1. State Appropriations	\$ 326	\$ (6)	-1.8%	\$ 320
2. Tuition & Fees	414	41	10.0%	455
3. Other Operating	355	62	17.5%	417
Total Sources	\$ 1,095	\$ 97	8.9%	\$ 1,192
Operating & Restricted Budget				
	<u>Current FY2010 Budget</u>	<u>..... Change</u>		<u>New FY2011 Budget</u>
		<u>Dollars</u>	<u>%</u>	
Use of Funds by Object				
4. Salaries, Wages, Benefits	\$ 605	\$ 13	2.1%	\$ 618
5. M&O	249	29	11.7%	278
6. Capital, Debt Svc, Utilities	108	10	9.3%	118
7. Scholarships	133	33	25.0%	166
8. Reserve for State Reduction	-	12		12
Total Uses	\$ 1,095	\$ 97	8.9%	\$ 1,192
Capital Facilities Budget				
Total Sources	\$ 207	\$(57)	-27.5%	\$ 150
Use of Funds by Object				
9. Construction	\$ 115	\$(34)	-29.1%	\$ 81
10. Major Rehabilitation	63	6	8.8%	69
11. Acquisitions	29	(29)	-100.0%	\$
Total Uses	\$ 207	\$(57)	-27.5%	\$ 150
<u>Total Operating, Restricted and Capital Budget</u>				
TOTAL	\$ 1,302	\$40	3.1%	\$ 1,342

The University of Houston System combined FY2011 total budget of \$1.34 billion is outlined below:

Total Sources

1. Tuition & Fees – 34%
2. State Appropriations – 24%
3. Contracts & Grants – 18%
4. Auxiliary/Other – 13%
5. Capital Funds – 11%

Total Uses

1. Student Access & Success – 56%
2. Infrastructure & Administration – 19%
3. National Competitiveness – 11%
4. Capital Construction – 11%
5. Community Advancement – 3%

The University of Houston System combined FY2011 operating budget of \$75.2 million is outlined below:

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New Sources

1. Tuition & Fees Rate Changes – 44%
2. Reallocations – 35%
3. Tuition & Fees Growth – 20%
4. State Appropriations & Other – 1%

New Uses

1. Student Access & Success – 51%
2. National Competitiveness – 17%
3. Reserve for State Reduction – 16%
4. Infrastructure & Administration – 15%
5. Community Advancement – 1%

Below is a breakdown of the University of Houston System Combined FY2011 Budget – Total Sources (\$ Millions)

	State Appropriations	Tuition & Fees	Capital Construction	Other	Total	Reductions & Reallocations
Univ. of Houston	\$ 208.0	\$ 329.9	\$ 336.5	\$ 135.7	\$1,010.1	\$19.3
UH-Clear Lake	43.2	46.9	15.1	9.0	114.2	3.4
UH-Downtown	42.8	60.7	45.6	0.8	149.9	2.3
UH-Victoria	22.6	17.8	8.9	4.6	53.9	1.1
UHS Admin.	3.7	--	10.4	--	14.1	0.8
TOTAL	\$ 320.3	\$ 455.3	\$ 416.5	\$ 150.1	\$1,342.2	\$26.9

Below is a breakdown of the University of Houston System Combined FY2011 Budget – Total Uses by Object (\$ Millions)

	Salaries, Wages Benefits	Scholarships	M&O	Capital, Debt Svc, Utilities	Cons.	Reserve for Reductions	Total
Univ. of Houston	\$ 447.1	\$ 114.3	\$ 220.3	\$ 84.2	\$ 135.7	\$ 8.5	\$1,010.1
UH-Clear Lake	62.6	12.5	18.8	9.9	9.0	1.4	114.2
UH-Downtown	72.4	34.9	24.2	16.3	0.8	1.3	149.9
UH-Victoria	26.4	4.0	10.9	7.2	4.6	0.8	53.9
UHS Admin.	9.5	--	4.0	0.4	--	0.2	14.1
TOTAL	\$ 618.0	\$ 165.7	\$ 278.2	\$ 118.0	\$ 150.1	\$ 12.2	\$1,342.2

Below is a breakdown of the University of Houston System Combined FY2011 Budget – Total Uses by Function (\$ Millions)

	Student Access & Success	National Competitiveness	Infrastruc. & Admin.	Community Advancement	Capital Cons.	Total
Univ. of Houston	\$ 542.8	\$ 132.7	\$ 168.4	\$ 30.5	\$ 135.7	\$1,010.1
UH-Clear Lake	63.8	11.5	28.5	1.4	9.0	114.2
UH-Downtown	109.9	4.1	33.0	2.1	0.8	149.9
UH-Victoria	32.4	3.1	13.3	0.5	4.6	53.9
UHS Admin.	5.2	1.1	7.8	--	--	14.1
TOTAL	\$ 754.1	\$ 152.5	\$ 251.0	\$ 34.5	\$ 150.1	\$1,342.2

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Below is a breakdown of the University of Houston System Combined FY2011 Budget – New Sources (\$ Millions)

	State Appropriation	Tuition & Fees	Other	Reductions & Reallocations	Total
Univ. of Houston	\$ 0.3	\$ 33.2	(\$ 1.0)	\$ 19.3	\$ 51.8
UH-Clear Lake	0.2	5.4	0.2	3.4	9.2
UH-Downtown	0.2	7.0	0.1	2.3	9.6
UH-Victoria	0.0	3.1	0.0	1.1	4.2
UHS Admin.	0.0	0.0	(0.4)	0.8	0.4
TOTAL	\$ 0.7	\$ 48.7	(\$ 1.1)	\$ 26.9	\$ 75.2

Below is a breakdown of the University of Houston System Combined FY2011 Budget – New Uses (\$ Millions)

	Student Access & Success	National Competitiveness	Infrastruc. & Admin.	Community Advancement	Capital Cons.	Total
Univ. of Houston	\$ 26.9	\$ 11.4	\$ 5.0	\$ 0.0	\$ 8.5	\$ 51.8
UH-Clear Lake	3.3	1.2	3.2	0.1	1.4	9.2
UH-Downtown	5.9	0.5	1.7	0.2	1.3	9.6
UH-Victoria	2.7	0.1	0.6	0.0	0.8	4.2
UHS Admin.	0.0	0.2	0.0	0.0	0.2	0.4
TOTAL	\$ 38.8	\$ 13.4	\$ 10.5	\$ 0.3	\$ 12.2	\$ 75.2

Reduction Plans for each of the University of Houston System campuses was discussed and slides detailing each institution's reductions were given. Below is the reductions (\$ thousands) as a percent of budget for each UH System institution.

University of Houston - \$19,365
 UH-Clear Lake - \$1,437
 UH-Downtown - \$1,460
 UH-Victoria - \$754

Reallocations Plans for each of the University of Houston System institutions was addressed; and the instructional initiatives for each campus is listed below:

University of Houston – First Year Core – New Sections – Lone Star-University Park
 UH-Clear Lake – Pearland Campus – Regional Accreditation – School Accreditation
 UH-Downtown – Student Retention Programs – Accommodate Growth – Lone Star-University Park
 UH-Victoria – Downward Expansion –Accommodate Growth – Cinco Ranch Programs

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Recruitment and Retention for each University of Houston System institution (\$ thousands) was given below.

	<u>New Faculty</u>	<u>Promotion & Tenure</u>	<u>Faculty Retention</u>	<u>Staff Retention</u>
Univ. of Houston	\$ 2,700	\$ 322	\$ 3,572	\$ 3,565
UH-Clear Lake	505	72	610	637
UH-Downtown	1,566	76	674	964
UH-Victoria	896	40	315	246
UHS Admin.				247

Bridge Tables were provided which gave a summary of new sources and uses of resources as were described in the university plan documents. The new resources were derived primarily from appropriation changes, tuition and fee changes and departmental reductions that can be reallocated. The new allocations showed how the resources were deployed to the Board priorities.

The University of Houston Bridge Table is summarized below:

Revenue Changes

1. Appropriations Bill	\$ 259,216
2. Tuition	19,735,000
3. Student and Auxiliary Fees	13,502,880
4. Investment Income	(957,000)
5. Reductions/Reallocations	<u>19,269,747</u>
Total New Funds for Allocation	\$ 51,809,843

Priorities/Initiative

Priority 1. Student Access and Success	\$ 26,943,658
Priority 2. National Competitiveness	11,354,869
Priority 3. University Infrastructure & Administration	4,985,250
Reserve for State Reduction	<u>8,526,066</u>
Total New Investments	\$ 51,809,843

Regent Ray asked each UH System representative to give brief remarks regarding their institutions' instructional initiatives in relation to their enrollment plans and below is a summary of the University of Houston's initiatives given by Dr. John Antel, Senior Vice Chancellor for Academic Affairs and Provost.

- The first year core (formative year) is a key element in the Chancellor's and the Board's student success priority. For a long time we have been concerned about the student success rate which by one metric is the six-year graduation rate or the one-year retention rate. In the freshman year, the student is either prepared or not prepared for the upper division curriculum to succeed or not succeed. A student needs to become part of the academic culture and become committed to completing a degree. To increase our retention and graduation rates we should start with the first year core program. Dr. Antel said we are looking at the core classes working with the instructors to see which courses were the

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students don't succeed and work with the instructors to become more innovative in the classroom; how do we get more advisors; and how do we deal with these students so they succeed in their freshman year and are prepared for the later years.

The University of Houston-Clear Lake Bridge Table is summarized below:

<u>Revenue Changes</u>	<u>A</u>
1. General Revenue	\$ 180,577
2. Tuition	4,516,513
3. Student Fees	894,453
4. Other Sources	236,021
5. Reductions/Reallocations	<u>3,420,594</u>
Total New Funds for Allocation	\$ 9,248,158

<u>Priorities/Initiative</u>	<u>B - Allocation</u>
Priority 1. Student Access and Success	\$ 3,303,139
The University of Houston-Clear Lake Bridge Table (cont'd)	
Priority 2. Acad & Research Excell/Nat'l Competitiveness	1,174,491
Priority 3. University Infrastructure & Administration	3,282,094
Priority 4. Community Advancement	51,000
Reserve for State Budget Reduction	<u>1,437,434</u>
Total New Investments	\$ 9,248,158

President William Staples gave brief remarks concerning the University of Houston-Clear Lake's instructional initiative plans and below is a summary of his comments:

- The Pearland campus fits our mission and achieves our mission.
- When you look at the University of Houston-Clear Lake campus in terms of the overall enrollment management, there are basically three major initiatives:
 - (1) Face-to-face courses on campus;
 - (2) Face-to-face courses off campus (Sugar Land, Cinco Ranch, Pearland and Medical Center); and
 - (3) Online education (what masters and bachelors degrees are offered online)
- The Pearland campus is major part of this new plan. There are currently 100,000 residents living in Pearland and by 2020 it is expected they will have 200,000. Also, we expect to fund buildings from the state with TRBs, this building is very different – it is a partnership agreement with the City of Pearland. The City of Pearland has built the building and we are essentially are leasing the building. We currently have a 20-year lease and at the end of the lease the City of Pearland will give the University of Houston-Clear Lake the building and the land under the building. As enrollment grows the City of Pearland will build a second building and possibly a third building to accommodate the students on this property.
- Approximately six years ago approximately 9% of the University of Houston-Clear Lake's total credit hours were either off campus or online. That percentage has now risen to 24%, which is why we need to serve the Houston metropolitan area.

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Committee Vice Chair, Carroll Robertson Ray called for a 10 minute recess at 10:00 a.m. At 10:10 a.m. the committee meeting was reconvened.

The University of Houston-Downtown Bridge Table is summarized below:

<u>Revenue Changes</u>	<u>A</u>
1. Appropriations Bill	\$ 212,578
2. Utility Savings	125,000
3. Tuition	4,432,111
4. Student and Auxiliary Fees	2,540,679
5. Endowment Loss/Gifts	(11,032)
6. Reductions/Reallocations	<u>2,334,581</u>
Total New Funds for Allocation	\$ 9,633,917

<u>Priorities/Initiative</u>	<u>B - Allocation</u>
Priority 1. Student Access and Success	\$ 5,849,523
Priority 2. National Competitiveness	500,000
Priority 3. University Infrastructure & Administration	1,743,093
Priority 4. Community Advancement	210,729
Reserve for State Reduction	<u>1,330,5722</u>
Total New Investments	\$ 9,633,917

Regent Ray called on President William Flores, University of Houston-Downtown, to give his comments concerning his enrollment plan and how it reflects his mission. Below is a summary of his remarks.

- UH-Downtown continues to have a 3%-4% growth per year with a projection of approximately 16,000 students by 2015.
- UH-Downtown's major problem is retaining and graduating students successfully. They currently have a very small first-time full-time freshman core; and they have open enrollment. Many students attend the University of Houston-Downtown and many do graduate, but they also lose many students before they graduate. They want to continue to grow at the same rate, but do a much better job at retaining students; making sure that they are well supported in their first and second year, to make it to their third and graduate.
- Part of their allocation is specifically into programs that have already shown success; expanding supplemental instruction; and clean-up the backlog of transfer students who have not been tested. UHD has been working on this issue and it should be resolved by the end of the summer with no backlog. Dr. Flores stated they have developed a strategy for support and success, while allocating resources to make certain that we not only grow but they have a higher quality and that they keep their students, retain them, and they graduate.

The University of Houston-Victoria Bridge Table is summarized below:

<u>Revenue Changes</u>	<u>A</u>
1. Appropriations Bill	\$ (37,887)
2. Tuition	2,684,520
3. Student Fees	424,866
4. Reductions/Reallocations	<u>1,081,739</u>

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Total New Funds for Allocation \$ 4,153,238

<u>Priorities/Initiative</u>	<u>B - Allocation</u>
Priority 1. Student Access and Success	\$ 2,656,591
Priority 2. Acad & Research Excell/Nat'l Competitiveness	86,224
Priority 3. University Infrastructure & Administration	656,330
Reserve for State Reduction	<u>754,093</u>
Total New Investments	\$ 4,153,238

Regent Ray called on President Tim Hudson, University of Houston-Victoria, for his remarks concerning downward expansion and how it fits UHV's mission and a sustainable mission.

Below is a summary of his comments.

- President Hudson stated that the University of Houston-Victoria is a destination campus to attract students to Victoria and the campus;
- This is their first venture so they are allocating faculty resources, counselors and mentor money in order to attract students and that they succeed;
- All other programs, venues and online programs and all the locations are also growing so additional faculty resources will be used to continue that success.
- A mentor program is being developed with the Student Government Association and an incoming freshman will be adopted by an upper classman to serve as a mentor for that individual. They are also working with the families in the city of Victoria to have them involved with groups of students during the holidays;
- UHV is putting resources and programs together, learning from other programs, to make certain these freshmen not only come to UHV but succeed and graduate on time.
- The off campus programs includes online, Cinco Ranch and Sugar Land. In particular, the nursing and business programs have grown approximately 12-15% per year. These programs are very sustainable. The on campus credit hours and on campus students are due to downward expansion and these resources have been allocated.

The University of Houston System Administration Bridge Table is summarized below:

<u>Revenue Changes</u>	<u>A</u>
1. Appropriations Bill	\$ --
2. Service Charges	(226,029)
3. Endowment/Interest Loss	(158,579)
4. Reductions/Reallocations	<u>803,293</u>
Total New Funds for Allocation	\$ 418,685

<u>Priorities/Initiative</u>	<u>B - Allocation</u>
Priority 1. University Infrastructure & Administration	\$ 247,079
Reserve for State Reduction	<u>171,606</u>
Total New Investments	\$ 418,685

Regent Nandita Berry asked if at the end of the day, after taking into account the reallocations, reductions, reductions in state appropriations, in the following four categories has the budget gone up or down:

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1. Number of classes offered to students (classroom instruction);
2. Student Services;
3. Faculty and student ratio; as well as
4. Administrative costs.

Dr. Carlucci replied to Regent Berry's question as follows:

1. The number of classes had definitely gone up;
2. In the case of the University of Houston campus, 180 more sections were being offered as a result of hiring more faculty;
3. There are more seats being offered at Lone Star, Cinco Ranch and Pearland; and enrollment is going up at all locations.
4. The number of faculty has risen, and this is in addition to replacements as well as new faculty on each of the system campuses.
5. In the case of administration, the numbers are going down. Dr. Carlucci stated we are reducing the numbers of administration, reducing the cost for transactions, and reducing the costs per unit;
6. Student services is really driven by a demand function. Parking, for example, is one area that will be addressed again later this year with our faculty and students. Dr. Carlucci stated that despite the issues with parking, there will most likely be a push to build more parking and improve the parking currently on campus. The university will do whatever it can do to get them out of their cars and into buses. This is a cost effective way for transportation to the campus. The university has a very sophisticated group of consumers who want to have good services, easily available services, and a wide range of food services available to them. The university also has a wide range of housing available. A student can chose from a very inexpensive apartment in Cougar Place or a more upscale, high quality apartment in Calhoun Lofts. The university is also going to make available to students at all UHS campuses textbook rentals. The cost is approximately 40% of the purchase price, and approximately one-third of our students will be able to rent them instead of buying them. As an aggregate, the per unit costs may go down in terms of student services, but the total available goes up. We try to keep those costs low.

There being no further questions concerning this item, Regent Ray called for the vote.

On motion of Regent Berry, seconded by Regent Wilson and by a unanimous vote, the University of Houston System FY2011 Plan and Budget was approved. This item will be placed on the May 18, 2010 Board of Regents meeting agenda for final approval.

2. Approval is requested for the purchase and installation of a Metal Organic Chemical Vapor Deposition (MOCVD) System for Superconductivity – Item D – F&A – 2

Dr. Carlucci introduced this item to the committee. This is a device that will be used by Dr. Venkat Selvamanickam's group for conducting research on improving the performance and improving the efficiency of the MOCVD process in collaboration with SuperPower, Inc. as part of an existing sponsored research agreement. The cost for this equipment and its installation will be approximately \$1,500,000.

On motion of Regent Berry, seconded by Regent Wilson and by a unanimous vote, the purchase and installation of a Metal Organic Chemical Vapor Deposition (MOCVD) System for Superconductivity was approved. This item will be placed on the May 18, 2010 Board of Regents meeting agenda for final approval.

3. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for purchase of property adjacent to the University of Houston-Downtown (UHD) campus, needed for future expansion – University of Houston-Downtown – Item E – F&A – 3

This item was pulled from the agenda.

4. Approval is requested for changing the project schedule and scope into a two phase project for University of Houston-Victoria Jaguar Hall – UH-Victoria – Item F – F&A – 4

Dr. Carlucci introduced this item to the committee. This project had been presented to the Facilities, Construction and Master Planning Committee (FCMP). This project originally came to the Board in July of 2009; it was brought back to the Board in November of 2009; and it is being brought back to the Board now. The original estimate of the project has changed as we have gotten further along into the project. Briefly, the FCMP committee met yesterday, May 11, 2010 and agreed to the notion that we would reduce the scope of the project from renovating two buildings to renovating one building; and in fact, the second building will most likely be demolished and made into a parking lot. While we are convinced that the \$3 million original purchase price is satisfactory, the original estimates we got of the cost to renovate the property we received are incorrect. In March 2010, when we received the new estimate from the architect and the construction manager we realized that we could not renovate both buildings. We originally had an appraisal from C.B. Richard Ellis in July 2009 which they alerted us that the second building may not be worth renovating.

Dr. Carlucci called upon Wayne Beran, Vice President of Administration and Finance, University of Houston-Victoria, to give his report on the pro forma business plan for this project. The main building will house everything needed: dining services, classrooms, and student services. The annex building has 88 rooms, but has heavy mold damage. The cost to renovate the annex building is approximately \$5.5 million and it would not be cost effective to bring this building based on revised business plan.

Mr. Beran stated we are now looking at one building. There will be a change from 228 rooms to 140 rooms (we would lose 88 rooms after we demolish the annex building). The use of the vacant parcel from the annex building could be used as a green space; followed with the option to add parking or redevelop; and/or possibly increases marketability of entire property.

The total cost of the project was addressed. The initial cost of the project was \$9 million which included two buildings, renovation, furniture and equipment, and professional fees. The revised budget presented to the committee is now \$9.5 million, which includes the two buildings but only renovating the main building, furniture and equipment, professional service fees, and the demolition of the annex building. The \$500,000 cost for demolition of this

building is an estimate only. No bids have yet been taken for the demolition of the annex building.

On motion of Regent Berry, seconded by Regent Wilson and by a unanimous vote, the change in the project schedule and scope into a two phase project for University of Houston-Victoria-Jaguar Hall – UH-Victoria was approved. This item will be placed on the May 18, 2010 Board of Regents meeting agenda for final approval.

5. Report on sale of the Consolidated Revenue and Refunding Bonds, Series 2010A, Series 2010B, and Series 2010C – UH System – Item G – F&A 5

Dr. Carlucci introduced this item and Raymond Bartlett, Treasurer, University of Houston System, gave a brief bond issuance summary. Mr. Bartlett stated the System recently sold \$121.5 million of bonds, representing three different series of bonds. The combined true interest cost of the three series of bonds is 4.02% and with issuance costs the all-in-true interest cost is 4.05%. This is the lowest cost of funds that the UH System has achieved on new money financing in over 10 years. These sales took advantage of very low market levels for interest rates as well as a new type of bond called Build America Bonds (“BABs”). The series 2010B bonds were issued as BABs.

Historically, the System has sold bonds where the interest to the investor is exempt from federal income tax. Last year the stimulus bill introduced a new type of bond, BABs, where the System issues taxable bonds and receives a 35% subsidy back from the U.S. Treasury. In the ensuing months, BABs have gained strong support in the market representing over 20% of all municipal debt issued.

This item was for information only and required no committee action.

6. Termination of UH-Downtown custodial contract with WFF Facilities Services – UH-Downtown – Item H – F&A 6

Dr. Carlucci introduced this item to the committee. This custodial contract was initially approved by the Board of Regents on April 21, 2009 for five years and went into effect on June 1, 2009. Unfortunately, shortly after commencing with service, WFF reported that it was not able to perform the required services for the agreed-upon price, claiming that important information was not conveyed during the bidding process. In March 2010, it was decided by both parties that terminating the agreement as provided by the terms of the contract would be the best course of action. The University of Houston-Downtown will rebid its custodial services agreement, and plans to bring a new contract to the Board in November. In the interim, Service Solution Corp. (SSC) has been engaged to provide these services. Their agreement will run from May 14, 2010 through December 31, 2010 to ensure a smooth transition to any new service provider.

This item was for information only and required no committee action.

There being no further business to come before the committee, the meeting adjourned at 11:12 a.m.

University of Houston System

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
John Antel
Dona Cornell
Elwyn Lee
Grover Campbell
Donald Birx
William Flores
Tim Hudson
William Staples
Barbara Stanley
Dave Irvin
Russ Hoskins
Katherine Justice
Gerry Mathisen

Craig Ness
Raymond Bartlett
Michelle Dotter
Tom Ehardt
Chris Stanich
Wayne Beran
Kevin Draper
Don Guyton
Oscar Gutierrez
Linda Klemm
Dan Wells
Mark Clarke
Jeannie Keever
Ed Jones

Carl Stockton
Jeannie Carr
Elaine Charlson
Monica McHenry
David Bradley
Ed Hugetz
Margie Hattenbach
David Bell
John Walsh
Mike Emery
Liz Fletcher
Malcolm Davis
Jon Aldrich
Marquette Hobbs