

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

Wednesday, November 17, 2010 – The members of the Finance and Administration Committee of The University of Houston System convened at 9:07 a.m. on Wednesday, November 17, 2010, at the University of Houston-Downtown, Special Events Center, Academic Building, Third Floor, One Main Street, Houston, Texas, with the following members participating:

ATTENDANCE –

Present

Jim P. Wise, Chair
Jarvis V. Hollingsworth, Vice Chair
Nandita V. Berry, Member
Carroll Robertson Ray, Ex Officio

Non-Member(s) Present

Jacob M. Monty, Regent
Andrew Cobos, Student Regent

In accordance with a notice being timely posted with the Secretary of State and there being a quorum present, Chair of the Committee, Jim P. Wise, called the meeting to order.

AGENDA ITEMS

1. Approval of Minutes – Item B

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

- August 11, 2010, Finance and Administration Committee Meeting

Chair of the Committee, Jim P. Wise, thanked William Flores, President, University of Houston-Downtown and his staff for their hospitality and hosting the meeting. Regent Wise stated four approval items and three information items would be presented to the committee and introduced Carl Carlucci, Executive Vice Chancellor for Administration and Finance, who presented the items on the agenda.

2. Approval is requested to delegate authority to the Chancellor to negotiate and execute a multi-year contract for vendor managed inventory (VMI) at University Stores at the University of Houston, Item D – F&A - 2

Dr. Carlucci, Executive Vice Chancellor for Administration and Finance, requested approval for delegation of authority to the Chancellor to negotiate and execute a multi-year contract for vendor managed inventory (VMI) at University Stores, which purchases all materials and supplies for the Facilities Department at the University of Houston. The estimated annual

purchase under the VMI contract would be \$1.4 million with an estimated annual savings of 10% or \$140,000.

On motion of Regent Hollingsworth, seconded by Regent Berry and by a unanimous vote, the request to delegate authority to the Chancellor to negotiate and execute a multi-year contract for vendor managed inventory (VMI) at University Stores at the University of Houston was approved.

3. Approval is requested for the purchase and installation of a Metal Organic Chemical Vapor Deposition (MOCVD) System for Photovoltaics, Thermoelectrics and Solid State Lighting – University of Houston, Item D – F&A – 2

Dr. Carlucci introduced this item and requested approval for the purchase and installation of a Metal Organic Chemical Vapor Deposition (MOCVD) System for Photovoltaics, Thermoelectrics and Solid State Lighting. The University of Houston needs to purchase equipment to complete the fabrication of thin film photovoltaic cells and thermoelectric modules, in order to fully prove the commercial feasibility of the University's underlying thin film technology in these applications. For this purpose, Dr. Selvamanickam's research team has identified a novel Metal Organic Chemical Vapor Deposition (MOCVD) System with multi-functional features to fabricate various types of materials on the University's unique templates using a reel-to-reel thin film process. This equipment does not exist anywhere else in the world and, therefore, is being custom designed. This equipment will be housed in the UH Energy Research Park in a dedicated building. The estimated purchase under the MOCVD System contract is \$1.5 million.

Dr. Carlucci presented a brief slide presentation concerning this item which was filed in the Board office.

On motion of Regent Hollingsworth, seconded by Regent Berry and by a unanimous vote, the request for the purchase and installation of a Metal Organic Chemical Vapor Deposition (MOCVD) System for the University of Houston was approved. This item will be placed on the November 17, 2010 Board of Regents agenda for final Board approval.

4. Approval is requested for delegation of authority to the Chancellor to negotiate and execute the contract to provide custodial service for the University of Houston-Downtown, Item E – F&A – 3

Dr. Carlucci requested approval for delegation of authority to the Chancellor to negotiate and execute the custodial service contract with SSC Service Solution upon agreement of the general terms and conditions. The existing custodial service expires on December 31, 2010; and this contract will be for four and half years ending June 30, 2015, with options to renew for two additional years consecutively. David Bradley, Vice President for Administration and Finance at the University of Houston-Downtown (UHD), gave a brief history of the previous vendor, WFF Facilities Services, which the UHS Board of Regents approved on April 21, 2009 and went into effect on July 1, 2009.

SSC Service Solutions (SSC) was contacted by UHD (they were the previous custodial services provider before WFF Facilities Services) to see if they would be interested in picking up the service vacated by WFF until the time a new provider could be selected through a competitive

bidding process. After all the necessary information was received and a bid tabulation sheet was compiled, SSC's aggregate score was 94.9, with the next highest score of 81.3 going to GCA Services; and SSC was 19% below the next lowest bid, which equates to approximately \$978,000 less over the life of the 4.5 year contract.

On motion of Regent Ray, seconded by Regent Hollingsworth and by a unanimous vote, the request to delegate authority to the Chancellor to negotiate and execute the contract to SSC Service Solutions, to provide custodial service for the University of Houston-Downtown was approved.

5. Purchase Order for Public Broadcasting Services – University of Houston, Item F – F&A - 4

Dr. Carlucci introduced this item and requested approval to continue KUHT's 100% participation in the Public Broadcasting Service's National Program Service, Member Service, Plus Assessment, Copyright Assessment and Station Independent Programs for Fiscal Year 2011. The FY2011 fee for KUHT's participation in the Public Broadcasting Service is \$1,964,451.00. Paid by Corporation for Public Broadcasting's Community Service Grant \$1,576,516.00 and the Television Interconnection Grant of \$30,387.00, with the remainder paid from community support. Payment of this fee allows Channel 8 to continue to broadcast the following programs: Nature, NOVA, American Masters, Antique Roadshow, Great Performances, Masterpiece, Frontline, Newshour, Nightly Business Report, NOW, Washington Week, plus many children's programs as Arthur, Barney & Friends, Cyberchase, Mister Rogers', Sesame Street and many others.

On motion of Regent Berry, seconded by Regent Hollingsworth and by a unanimous vote, the Purchase Order for Public Broadcasting Services was approved.

After all action items were presented, Regent Wise then called for a motion to have the following three action items placed on the Consent Docket.

On motion of Regent Berry, seconded by Regent Hollingsworth and by a unanimous vote, the following items will be placed on the Consent Docket and presented at the Board of Regents meeting on November 17, 2010 for final Board approval.

- (a) Approval is requested to delegate authority to the Chancellor to negotiate and execute a multi-year contract for vendor managed inventory (VMI) at University Stores at the University of Houston;
- (b) Approval is requested for delegation of authority to the Chancellor to negotiate and execute the contract to provide custodial service for the University of Houston-Downtown; and
- (c) Purchase Order for Public Broadcasting Services – University of Houston

The remaining three items presented were for information only and required no committee action.

6. Presentation of Preliminary Fiscal Year 2010 University of Houston System Annual Financial Report Summary – University of Houston System, Item G – F&A 5

Dr. Carlucci stated a presentation of the Preliminary Fiscal Year 2010 University of Houston System Annual Financial Report Summary would be given by Tom Ehardt, Associate Vice Chancellor for Finance and David Ellis, Executive Director, Financial Reporting. Below is a brief summary of their remarks:

- FY2010 Annual Financial Report Timeline was given.
- UH System Combined FY 2010 Preliminary Results of Operations were addressed.
 - Revenues Totaled - \$1,174.2 (\$ Millions)
 - Expenses Totaled - \$1,078.3 (\$ Millions) (Note: expenses exclude construction spending from revenue bond proceeds.)
- UH System Combined Analysis of Revenues – FY 2007-2010 was discussed.
- UH System Combined Revenues by UHS Component FY2010 Preliminary (\$ Millions) was shown as follows:
 - State Appropriations:
 - University of Houston - \$192.1
 - UH-Clear Lake - \$35.7
 - UH-Downtown - \$33.6
 - UH-Victoria - \$18.8
 - UH System Admin. - \$4.2
 - UH System Total: \$284.4
 - HEAF:
 - University of Houston - \$36.1
 - UH-Clear Lake - \$5.4
 - UH-Downtown - \$9.5
 - UH-Victoria - \$2.3
 - UH System Admin. - \$ -0-
 - UH System Total: \$53.3
 - Tuition and Fees:
 - University of Houston - \$321.0
 - UH-Clear Lake - \$43.4
 - UH-Downtown - \$54.9
 - UH-Victoria - \$17.2
 - UH System Admin. - \$ -0-
 - UH System Total: \$436.1
 - Other Operating:
 - University of Houston - \$92.2
 - UH-Clear Lake - \$4.0
 - UH-Downtown - \$95.5
 - UH-Victoria - \$0.6
 - UH System Admin. - \$ (0.2)
 - UH System Total: \$102.1
 - Contracts and Grants:
 - University of Houston - \$196.3
 - UH-Clear Lake - \$12.4
 - UH-Downtown - \$35.4
 - UH-Victoria - \$7.1
 - UH System Admin. - \$ -0-
 - UH System Total: \$251.2.4
 - Endowment / Gifts:
 - University of Houston - \$40.6
 - UH-Clear Lake - \$0.9
 - UH-Downtown - \$2.2
 - UH-Victoria - \$0.7
 - UH System Admin. - \$2.3
 - UH System Total: \$46.7
 - UHS Combined Revenues by UHS Component - Preliminary 2010 Total
 - University of Houston - \$878.3
 - UH-Clear Lake - \$101.8
 - UH-Downtown - \$141.1
 - UH-Victoria - \$46.7

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- UH System Admin. - \$6.3
- UH System Total: \$1,174.2

- UHS Combined Expenses by UHS Component FY 2010 Preliminary (\$ Millions) was addressed as follows:
 - Student Access and Success:
 - University of Houston - \$533.6
 - UH-Clear Lake - \$69.1
 - UH-Downtown - \$97.3
 - UH-Victoria - \$31.5
 - UH System Admin. - \$5.6
 - UH System Total: \$737.1
 - National Competitiveness:
 - University of Houston - \$94.5
 - UH-Clear Lake - \$1.3
 - UH-Downtown - \$1.3
 - UH-Victoria - \$0.1
 - UH System Admin. - \$1.1
 - UH System Total: \$98.3
 - Infrastructure and Administration:
 - University of Houston - \$129.7
 - UH-Clear Lake - \$24.1
 - UH-Downtown - \$1.3
 - UH-Victoria - \$0.1
 - UH System Admin. - \$1.1
 - UH System Total: \$200.1
 - Community Advancement:
 - University of Houston - \$38.9
 - UH-Clear Lake - \$0.2
 - UH-Downtown - \$2.9
 - UH-Victoria - \$0.8
 - UH System Admin. - \$ -0-
 - UH System Total: \$42.8
 - UHS Combined Expenses by UHS Component Preliminary 2010 Total
 - University of Houston - \$796.7
 - UH-Clear Lake - \$94.7
 - UH-Downtown - \$131.7
 - UH-Victoria - \$40.0
 - UH System Admin. - \$15.2
 - UH System Total: \$1,078.3

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

7. Presentation of projected revenues and expenses for Fiscal Year 2021 based on Campus Master Plan enrollment targets, Item H – F&A – 6

Dr. Carlucci introduced this item and gave a brief outline of projected revenues and expenses for FY2021 based on Campus Master Plan enrollment targets for each of the system institutions. The enrollment targets for each campus was addressed as well as revenue and expense summaries for each institution based on these enrollment targets. Each campus faces different issues because their enrollment plans are carrying out different missions stated Dr. Carlucci.

Chancellor Khator stated the university was looking into shifting from an academic model of financing to a business model. Meetings are being held every month with the various constituencies from each campus (chancellor and presidents; all CFOs; and all provosts). Academic and financial matters and most importantly putting our missions and our students first

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are major topics of conversation at these meetings. We must serve the region; we have an obligation to do so, stated Chancellor Khator. In the next ten years, higher education will go through profound changes. The University of Houston has been at the forefront of many innovations; and we need to figure out how to deliver our product which is how to educate our students for the society that exists today and will exist tomorrow.

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

8. Update on remodeling of the Jaguar Hall building and its opening for students – University of Houston-Victoria, Item I – F&A 7

An update was given on the Jaguar Hall building. Regent Wise asked for a brief summary from Interim President of the University of Houston-Victoria, Don Smith, on the 10% overrun for the latest budget and when we had to put up the students for a month until the building was completed and what was the approximate amount and was it included in the numbers. Dr. Smith stated the cost was approximately \$13,000 per day and it was for approximately three weeks. Mr. Wayne Beran, Vice President for Administration and Finance, University of Houston-Victoria stated this amount was actually part of their dorm costs and not part of the project costs.

Regent Wise requested a final report be prepared and given to the committee at the February 2011 meeting summarizing the final set of numbers which show the occupancy expense as not part of the costs but as a separate line item.

A complete copy of the powerpoint presentation was filed in the Board office. 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 10:35 a.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
John Antel
Dona Cornell
William Flores
Bill Staples
Don Smith

Sue Davis Green
Mike Glisson
Christopher Burton
Rene Salinas
David Ellis
Spencer Moore
Dave Irvin

Ed Apodaca
Randy Cypiet
Tom Ehardt
Gilda Parker
Don Guyton
Dan Wells
Raymond Bartlett

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Grover Campbell
Elwyn Lee
Barbara Stanley
Michelle Moosally
Russ Hoskins
Mike Emery
Rob Sheridan
Jon Aldrich

David Bradley
Johanna Wolff
Willie Munson
Wayne Beran
Richard Bonnin
Jeannie Kever
Hossein Shahrokhi
Marquette Hobbs

Ed Hugetz
Michelle Dotter
Allan Gundy
Mike Dressman
Mark Clarke
Joe Bertolino
Anthony Chiariello
Gerry Mathisen