

UNIVERSITY OF HOUSTON SYSTEM
Board of Regents Meeting
February 16, 2011

AGENDA

UNIVERSITY OF HOUSTON SYSTEM BOARD OF REGENTS MEETING

DATE: Wednesday, February 16, 2011

TIME: 12:45 p.m.

PLACE: Hilton University of Houston Hotel
Waldorf Astoria Ballroom E, Second Floor
4800 Calhoun
Houston, Texas 77204

Chair: Carroll Robertson Ray

Vice Chair: Nelda Luce Blair

Secretary: Mica Mosbacher

I. Board of Regents Meeting

A. Call to Order

B. Open Forum

C. Approval of Minutes:

- November 16, 2010, Board of Regents Meeting

Action: Approval

II. Approval of Consent Docket Items

The following items were unanimously recommended by the indicated committees for submission on the Consent Docket pursuant to By-Law 6.9. Any Regent may request that an item be removed from the Consent Docket and be individually considered by the Board.

A. Approval of Masters of Business Administration at the University of Houston-Downtown – University of Houston-Downtown A&SS-1

Action: Approval

B. Approval of Partnership Agreement between Alvin Community College of the Mainland, Galveston College, Lee College, the San Jacinto College District and the University of Houston-Clear Lake A&SS-2

regarding UHCL offering lower division courses - University of Houston-Clear Lake

Action: Approval

- C. Approval of scope and site for a new University of Houston West Dining Facility – University of Houston FCMP-1

Action: Approval

- D. Project Scope Re-approvals for University of Houston Fleming Addition, the University of Houston Classroom and Business Building and the University of Houston-Clear Lake Arbor Building – University of Houston System FCMP-2

Action: Approval

- E. Approve the FY2011 University Advancement Endowment Assessment Rate of 1.5% – University of Houston System EM-1

Action: Approval

- F. Approval to liquidate the Joseph Michael Adamo Drama Scholarship Endowment – University of Houston System EM-2

Action: Approval

- G. Approval of changes to the voluntary and optional fees and charges for the University of Houston System campuses - University of Houston System F&A-1

Action: Approval

- H. Approval is requested to write off uncollectable Accounts and Notes Receivable for FY2010 – University of Houston System F&A-2

Action: Approval

- I. Approval is requested to write off obsolete Capital Assets for FY2010 - University of Houston System F&A-3

Action: Approval

- J. Approval is requested to delegate authority to the Chancellor to negotiate and execute insurance policy renewals for FY2011 – University of Houston System F&A-4

Action: Approval

- K. Approval of Construction of Classroom and Business Building at the University of Houston and to delegate authority to the Chancellor to negotiate and execute contracts up to \$41,000,000 – University of Houston F&A-5

Action: Approval

- L. Re-approval of Construction of Cemo Hall at the University of Houston and to delegate authority to the Chancellor to negotiate and Execute contacts up to \$10,599,000 – University of Houston F&A-6

Action: Approval

- M. Review and Approval of Audit Report and Financial Statements, University of Houston Charter School, FY 2010 – University of Houston System AUDIT-1

Action: Approval

III. Committee Reports

All action items considered and approved by the Academic and Student Success Committee, Item A, (February 15, 2011); the Facilities, Construction and Master Planning Committee, Item B, (February 15, 2011); and the Finance and Administration Committee, Item D, (February 16, 2011) are listed in the Consent Docket. Action items listed under Item C were considered and approved by the Endowment Management Committee on Tuesday, November 16, 2010 and Tuesday, February 15, 2011. The action item considered and approved by the Audit and Compliance Committee, Item E, was heard earlier today, Wednesday, February 16, 2011.

A. **Academic and Student Success Committee Meeting Report**

[All approval items are listed in the Consent Docket]

B. **Facilities, Construction and Master Planning Committee Meeting Report**

[All approval items are listed in the Consent Docket]

C. **Endowment Management Committee Meeting Report**

1. Approvals as follows:

- (a) Approval to modify the University of Houston System Investment Policy for Non-Endowed Funds – University of Houston System EM-3

Action: Approval

- (b) Approval to modify the University of Houston System Endowment Fund Statement of Investment Objectives and Policies – University of Houston System EM-4

Action: Approval

- (c) Approval to modify the University of Houston System Endowment Fund Statement of Investment Objectives and Policies – University of Houston System EM-5

Action: Approval

D. Finance and Administration Committee Meeting Report
[All approval items are listed in the Consent Docket]

E. Audit and Compliance Committee Meeting Report

1. Board of Regents' Internal Audit, Institutional Compliance, and Identity Theft Program Policies – University of Houston System AUDIT-2

Action: Approval

IV. Board of Regents Items

- A. Update regarding the Texas Higher Education Coordinating Board's legislative initiatives by Commissioner Dr. Raymund Paredes – University of Houston System BOR-1

Action: Information

- B. Presentation on the Faculty Senate response to the budget and faculty workload issues – University of Houston BOR-2

Action: Information

- C. Presentation of anticipated legislative budget actions and their impact on the University of Houston System – University of Houston System BOR-3

Action: Information

- D. Introduction of Erica Fletcher, student role model, who will discuss her career as an undergraduate researcher – University of Houston BOR-4

Action: Information

- E. Presentation on research at the University of Houston and the Office of Intellectual Property Management – University of Houston BOR-5

Action: Information

- F. Approval is requested of the proposed revisions to BOR policies: 02.01- BOR-6
02.02; 22.01; 31.01; 57.04; 57.05; 57.10 with commensurate changes to
BOR bylaws 2.6, 5.1 and 6.9 – University of Houston System

Action: Approval

- G. Approval is requested of professional, civic and business boards on BOR-7
which the Chancellor currently serves – University of Houston System

Action: Approval

V. Chancellor’s Report: System Profile and Accomplishments

VI. Chair’s Report: Board Initiatives regarding Policy Revisions and Legislative Agenda

VII. Executive Session

A. Section 551.071 – Consultation with System Attorneys

B. Section 551.072 – Deliberations Concerning Purchase, Lease
or Value of Real Property

C. Section 551.073 – Deliberations about Negotiated Contracts
for Prospective Gifts or Donations

D. Section 551.074 – Personnel Matters, Including
Appointment, Evaluation or Dismissal of Personnel

VIII. Report and Action from Executive Session

IX. Adjourn



**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS**

BOARD OF REGENTS

**CONSENT DOCKET
ITEMS**

FEBRUARY 16, 2011

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE: Academic and Student Success

ITEM: Approval of Master of Business Administration Degree at the University of Houston Downtown

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

The College of Business at UH-Downtown proposes to offer a Master of Business Administration degree that aligns with the career and educational needs of working professionals. The program will focus on developing the core knowledge of business fundamentals, the skills to creatively and critically examine information, and the ability to plan and implement change in a collaborative work environment. In addition, the curriculum will provide preparation for tomorrow's business leaders who will work in a rapidly-changing, global environment. The target market for the degree program will be students who wish to continue their education beyond the bachelor's degree while working in their full-time positions. These "student-professionals" represent a large potential market for the UHD MBA. Consequently, the program has been designed as a 34 semester credit hour program that will be delivered in a unique, hybrid format. Face-to-face instruction will be enhanced with online learning in a series of 7-week, two SCH courses. Each course will meet only once a week for approximately 2 hours. This format will allow part-time students to focus their attention on fewer courses at a time and will allow working professionals to time-shift in order to complete the entire program of study within a two-year period.

SUPPORTING DOCUMENTATION: Program Description, Financial Pro Forma, and Planning Authority – Degree Proposal Approval Process

FISCAL NOTE: See Financial Pro Forma

**RECOMMENDATION/
ACTION REQUESTED:** Administration recommends approval of this item

COMPONENT: University of Houston-Downtown

 _____ PRESIDENT	William Flores	<u>1/28/11</u> _____ DATE
 _____ SENIOR VICE CHANCELLOR	John Antel	<u>2/1/11</u> _____ DATE
 _____ CHANCELLOR	Renu Khator	<u>2-2-11</u> _____ DATE

**Master of Business Administration (MBA)
University of Houston-Downtown**

Congruence with System Goals and University Mission

The Master of Business Administration degree offered by the UH-Downtown College of Business aligns with the UH System goals related to student success and community advancement by providing educational opportunities for students in a high-demand field that contributes to the economic development of the city and region. Furthermore, the UHD MBA aligns with the UHD mission of providing quality educational opportunities to its students and helping them to reach their educational goals.

Program Description

The College of Business at UH-Downtown proposes to offer a Master of Business Administration degree that aligns with the career and educational needs of working professionals. The MBA will develop business leaders who excel in anticipating and managing change in today's global environment. The program is aimed at preparing business leaders in the greater Houston region who have competency in business fundamentals, the skills to creatively and critically analyze information, and the ability to plan and implement change in a collaborative work environment.

Student and Job Market Demand

According to GMAC (provider of the most popularly used MBA admission test---the GMAT), there has been an increase of over 14% in the number of Texas residents completing the GMAT admissions exam between 2005 and 2010. Over 12,500 Texas students completed the GMAT in 2010. Applications of Texas students seeking admission to MBA programs in Texas have increased by over 20% during the same five year period. According to GMAC's Corporate Recruiters Survey, over the past three years Texas firms have hired only about 50% of the number of MBA's of employers in other regions partly as a result of a shortage of supply of MBA graduates in Texas. The shortage of MBA's in Houston is likely to be even more acute given the density of Fortune 500 companies whose headquarters are in the city.

A primary target market for the UH-Downtown MBA will be alumni who have recently graduated from UHD with a baccalaureate degree. In June 2008, over 1,200 recent graduates completed a survey to identify their level of interest in pursuing an MBA at UH-Downtown if it were available. The results of the survey suggested that approximately half would have interest in pursuing the MBA to advance their career if the program was offered in a convenient, flexible manner. It is also anticipated that the UH-Downtown MBA will be attractive to employees working in the downtown area who are seeking a part-time, evening based option for completing the MBA.

Program Duplication

Public institutions offering the master of business administration in the Houston area include:

- University of Houston
- University of Houston-Clear Lake
- University of Houston-Victoria
- Texas Southern University
- Sam Houston State University (The Woodlands)
- Texas A&M University (Executive MBA-The Woodlands)
- Prairie View A&M University

In addition, there are numerous private, out-of-state, and for-profit institutions offering the MBA in the Houston service region.

Despite the availability of MBA programs, the market remains underserved. Equally important, significant numbers of students are paying higher tuition to support programs offered by out-of-state and/or for-profit institutions. Within the UH System, the UHD MBA will be differentiated from the other component universities by admissions standards, cost of attendance, and delivery method.

An important element regarding the UH-Downtown MBA is its unique design and method of delivery. The aim of the program is to meet the demands of working adults who require a program that is part-time and offered in a manner that is flexible and convenient. As a result, the UHD MBA has been designed as a 34 semester credit hour program that will be delivered in a hybrid format (limited face-to-face meetings complemented by online instruction/activities). Courses will be offered in a series of 7-week, two SCH courses. Each course will meet face-to-face for approximately two hours. This format will allow part-time students to focus their attention on fewer courses at a time and will allow working professionals to time-shift in order to complete the entire program of study within a two-year period.

Faculty Resources

The UH-Downtown Master of Business Administration will utilize existing faculty with the College of Business at its inception. It is anticipated that as enrollment grows, additional full-time faculty will be hired to meet student demand. As a AACSB-accredited College of Business, UH-Downtown will maintain an appropriate ratio of faculty-to-students as required for accreditation.

MBA College of Business

PRO FORMA FOR ACADEMIC PROGRAMS

dec 22 2010

Assumptions

	FY13	FY14	FY15	FY16	FY17
Enrollments 90% retention					
Cohort 1	83	75			
Cohort 2		30	27		
Cohort 3			134	121	
Cohort 4				86	77
Cohort 5					195
Cohort 6					
Cohort 7					
Total student headcount	83	105	161	207	272
Total SCH	1,411	1,780	2,737	3,512	4,631

Staffing Appointments

Faculty (primarily F/T backfill) - cumulative	3.3	7.3	8.5	11.0	14.4
Faculty (primarily F/T backfill) - net add		4.0	1.2	2.5	3.3
Staff	1.0	1.0	2.0	2.0	2.5

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Faculty salaries	\$ 298,620	\$ 656,963	\$ 761,480	\$ 989,924	\$ 1,286,901
Staff salaries	\$ 60,061	\$ 60,061	\$ 95,061	\$ 95,061	\$ 112,561
Total Salaries	\$ 358,681	\$ 717,024	\$ 856,541	\$ 1,084,985	\$ 1,399,462
Benefits @ 30%	\$ 107,604	\$ 215,107	\$ 256,962	\$ 325,496	\$ 419,839
Total Personnel	\$ 466,285	\$ 932,131	\$ 1,113,503	\$ 1,410,481	\$ 1,819,301
State-mandated scholarship set-aside (on des. & diff. des.)	\$ 48,256	\$ 60,873	\$ 93,605	\$ 120,117	\$ 158,373
Non-Personnel					
Annual maintenance & operations	\$ 35,000	\$ 36,750	\$ 45,938	\$ 52,828	\$ 60,752
Marketing/Recruiting	\$ 150,000	\$ 150,000	\$ 100,000	\$ 75,000	\$ 75,000
Graduate Assistantships	\$ -	\$ -	\$ -	\$ -	\$ -
Accreditation	\$ -	\$ -	\$ -	\$ -	\$ -
Library support	\$ 95,186	\$ 95,186	\$ 95,186	\$ 95,186	\$ 95,186
Laboratory start up	\$ -	\$ -	\$ -	\$ -	\$ -
Total Non-Personnel	\$280,186	\$281,936	\$241,124	\$223,014	\$230,938
Total Annual Expense	\$ 794,728	\$ 1,274,940	\$ 1,448,232	\$ 1,753,612	\$ 2,208,612
University Tuition	\$ 258,213	\$ 325,722	\$ 364,021	\$ 467,123	\$ 615,896
University Fees	\$ 99,185	\$ 125,117	\$ 192,395	\$ 246,887	\$ 325,518
College Tuition and Fees	\$ 424,711	\$ 535,750	\$ 823,837	\$ 1,057,172	\$ 1,393,871
Subtotal	\$ 782,109	\$ 986,588	\$ 1,380,253	\$ 1,771,182	\$ 2,335,285
Formula Funding	\$ -	\$ -	\$ 300,105	\$ 582,132	\$ 582,132
Allocated to university operations (60%)	\$ -	\$ -	\$ (180,063)	\$ (349,279)	\$ (349,279)
Net additional formula funding	\$ -	\$ -	\$ 120,042	\$ 232,853	\$ 232,853
Total new revenue	\$ 782,109	\$ 986,588	\$ 1,500,295	\$ 2,004,035	\$ 2,568,138
Net new revenue	\$ (12,619)	\$ (288,352)	\$ 52,063	\$ 250,423	\$ 359,526
					\$ 361,041

CONSENT DOCKET
A&SS - 1.4

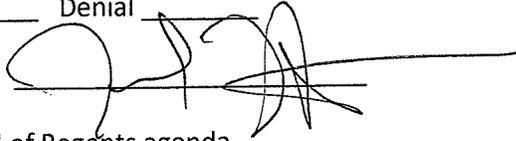
UNIVERSITY OF HOUSTON SYSTEM

PLANNING AUTHORITY – DEGREE PROPOSAL APPROVAL PROCESS

SVC considers recommendation and, if approved, forwards to the Chancellor.

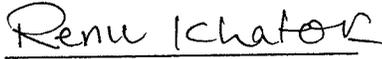
SVC decision (check one): Approval Denial

Date: 01/18/11 Signed by SVC: John Antel



6. Chancellor reviews and, if approved, puts on Board of Regents agenda.

Date: _____ Signed by Chancellor: Renu Khator



7. Board of Regents approval. Date: _____

8. Forms for THECB approval:

a) Bachelors and Masters degrees

Certification form sent to THECB: Date: _____ Signed: _____

b) Doctoral and Engineering degree proposals submitted to THECB for consideration and approval:

Date: _____ Signed: _____

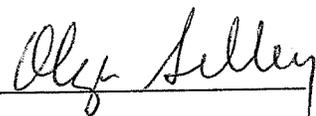
UNIVERSITY OF HOUSTON SYSTEM

PLANNING AUTHORITY – DEGREE PROPOSAL APPROVAL PROCESS

1. Type of Request (check one): Planning authority for new doctoral or engineering degree _____
Request for new doctoral or engineering degree _____
Planning authority for new degree _____
Request for new degree _____ X

2. Title of proposed degree or planning authority: Master of Business Administration – University of Houston - Downtown

3. Submit proposal to Office of the Senior Vice Chancellor

Received: Date: 11/30/10 Signed: Olga Selley 

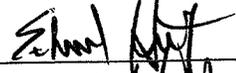
4. SVC Office reviews proposal and confirms that it is complete (including, but not limited to, details regarding congruence with System goals and University missions, student and job market demand, potential program duplication, faculty resources, consistency with THECB guidelines, financial pro forma) and in the specified format, including a brief program description.

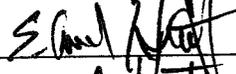
Received: Date: 11/30/10 Signed: Edward Hugetz 

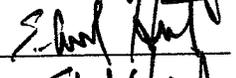
5. SVC Office places proposal on Provosts' Council agenda for first reading.

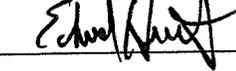
First reading: Date: 12/23/10 Signed: Elaine Charlson 

Provosts solicit review of the item at their campuses and send comments to SVC Office.

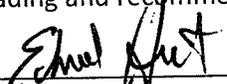
UHCL comments received: Date: 01/18/11 Signed: Edward Hugetz 

UHD comments received: Date: 01/18/11 Signed: Edward Hugetz 

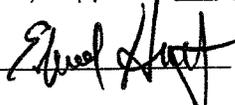
UHV comments received: Date: 01/18/11 Signed: Edward Hugetz 

UH comments received: Date: 01/18/11 Signed: Edward Hugetz 

Proposal placed on Provosts' Council agenda for second reading and recommendation to SVC.

Second reading: Date: 01/18/11 Signed: Edward Hugetz 

Provosts' Council recommendation (check one): Approval X Denial _____

Date: 01/18/11 Signed: Edward Hugetz 

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE: Academic and Student Success

ITEM: Approval of Partnership Agreement between Alvin Community College, College of the Mainland, Galveston College, Lee College, the San Jacinto College District, and the University of Houston-Clear Lake regarding UHCL offering lower division courses

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

In December 2008, the University of Houston System Board of Regents passed a resolution authorizing UH-Clear Lake to seek enabling legislation during the 81st Texas legislature to offer freshmen and sophomore courses. In February 2009, the decision was made to delay seeking the legislation so that additional dialogue could occur between UH-Clear Lake and area community colleges. The end result of this extensive dialogue was the development of a partnership agreement which has been approved by the president or chancellor and the board chair of Alvin Community College, College of the Mainland, Galveston College, Lee College, and the San Jacinto College District. The partnership agreement is intended to address mutual considerations necessary to facilitate the proposed expansion of UH-Clear Lake into a four year university whereby UH-Clear Lake will offer lower division courses.

SUPPORTING DOCUMENTATION: Partnership Agreement

FISCAL NOTE: None

**RECOMMENDATION/
ACTION REQUESTED:** Administration recommends approval of this item

COMPONENT: University of Houston-Clear Lake

William A. Staples

1/21/11

PRESIDENT

William Staples

DATE

SENIOR VICE CHANCELLOR

John Antel

DATE

CHANCELLOR

Renu Khator

DATE

**CONSENT DOCKET
A&SS – 2.1**

Partnership Agreement
between
Alvin Community College, College of the Mainland, Galveston College,
Lee College, and the San Jacinto College District
and
University of Houston-Clear Lake

This partnership agreement is entered into and is effective as of _____ 1, 2010 between Alvin Community College, College of the Mainland, Galveston College, Lee College, the San Jacinto College District, and the University of Houston-Clear Lake.

The community college participants in this agreement (Alvin Community College, College of the Mainland, Galveston College, Lee College, and San Jacinto College District) will be referenced as Area Community Colleges in this agreement.

Although the Area Community Colleges believe the educational needs of the region are being met, they understand that the University of Houston – Clear Lake (UH-Clear Lake) would like to be part of the solution in meeting future educational needs, and to this regard, UH-Clear Lake is proposing a downward expansion. By signing the partnership agreement, the representatives of the Area Community Colleges are not indicating their endorsement of the proposed downward expansion. Rather, the partnership agreement is intended to address mutual considerations necessary to facilitate the proposed expansion of UH-Clear Lake into a four year university whereby UH-Clear Lake will offer lower division courses.

The parties understand that legislative action is a necessary prerequisite to finalizing downward expansion and that UH-Clear Lake plans to seek legislative authority for downward expansion in the 2011 session of the Texas Legislature.

If UH-Clear Lake receives legislative authority for downward expansion in the 2011 session of the Texas Legislature, the provisions of this partnership agreement will commence in September 2011 and the expiration will be at the conclusion of the 2017-2018 academic year.

The intent of the parties to this agreement is to establish a partnership that maximizes educational opportunities for all students and utilizes taxpayer resources in the most efficient and effective manner.

Areas of Collaboration

The institutions will collaborate to:

1. Increase the college-going and college-graduation rates for our region at both the associate's and bachelor's levels.
2. Recruit students with an emphasis on the 2+2 enrollment model.

3. Address critical field shortages in math, science, and teacher education as well as in other areas identified for the region.
4. Develop joint degree programs in high demand or emerging fields such as biotechnology.
5. Evaluate ways to implement 2+2 programs in allied health and nursing fields with the Area Community Colleges providing the lower division and associate degree courses.
6. Implement reverse transfer agreements for the individual Area Community Colleges.
7. Develop strategies to address the needs of area school districts for college credit opportunities for their students including the development of a 2+2+2 model.
8. Organize initiatives focused on strengthening P-16 partnerships and collaborations including the consideration of a regional P-16 Council.
9. Provide reciprocal recruiting and advising opportunities for the Area Community Colleges and UH-Clear Lake on each others' campuses in order to provide students the greatest mobility and focus on degree completion.
10. Develop and pursue grants to meet the need for associate's and bachelor's degrees in high demand fields.
11. Develop and pursue grants to address the recruitment and retention of under-served student populations in the region.

University of Houston-Clear Lake

The University of Houston-Clear Lake will:

- 1) Guarantee admission at the junior level for students with an associate's degree earned at Area Community Colleges who meet minimum semester credit hour and grade point average requirements.
- 2) Guarantee acceptance of up to 60 transfer credit hours for students who have earned associate's degrees at Area Community Colleges and who have met minimum semester credit hour and grade point average requirements.
- 3) Expand the Unilink Program to provide for joint admission between Area Community Colleges and UH-Clear Lake and encourage all students to participate in Unilink.

- 4) Award scholarships to graduates of Honors Programs and to students graduating with Honors at Area Community Colleges who meet minimum course load and grade point average requirements.
- 5) Maintain the current UH-Clear Lake automatic transfer scholarship program, provide funding to support increases in the number of students from Area Community College students eligible for the program, and provide for increases to ensure that the scholarship amount is at least 25% or 20% (depending on GPA) of the tuition and fee cost for nine semester credit hours for resident undergraduates.
 - a) Under the present automatic transfer scholarship program, students with 3.0 or higher GPA receive \$500 per semester renewable for four long semesters and students with 2.75 to 2.99 GPA receive \$400 for four long semesters. The program requires students to register for nine or more hours per semester. The \$500 scholarship represents 25% and the \$400 scholarship represents 20% of the current nine semester credit hour tuition and fee cost for resident undergraduates.
- 6) Partner with Area Community Colleges to serve students in technical tracks who desire to pursue a bachelor of applied science degree.
- 7) Ensure that proposed UH-Clear Lake outreach efforts to area school districts do not duplicate those already in place by Area Community Colleges (i.e. testing, shared counselors, etc.).
- 8) Reactivate the Community College Advisory Council with the University of Houston-Clear Lake in order to address issues of common interest such as scholarships, articulation, reverse articulation, honors programs, etc.

The University of Houston-Clear Lake will not:

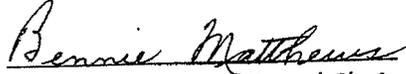
1. Offer programs or courses in the area of developmental education.
2. Offer dual credit courses outside of the UH-Clear Lake campus nor will UH-Clear Lake provide dual credit courses at any high schools within the taxing district or service area of the Area Community Colleges.
3. Offer programs or courses leading to licensures or certification that require less than a bachelor's degree.
4. Pursue a technical college or college of technology which would offer lower level technical courses.
5. Offer lower-level courses at the University of Houston-Clear Lake Pearland Campus.
6. Offer lower level courses at the Texas Department of Criminal Justice.

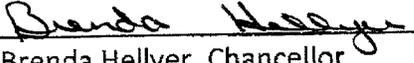
The parties noted below agree to the provisions of this partnership agreement which are detailed above. This agreement may be supplemented, amended, or modified by the mutual agreement of the parties. No supplement, amendment, or modification to this agreement shall be binding unless it is in writing and signed by all parties.

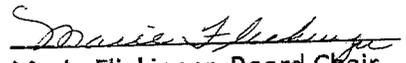
 Date _____
Rodney Allbright, President
Alvin Community College

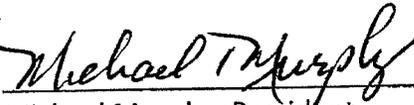
 Date _____
L.H. "Pete" Nash, Board Chair
Alvin Community College

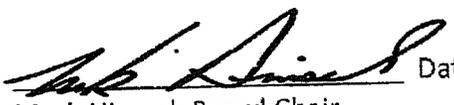
 Date _____
Michael Elam, President
College of the Mainland

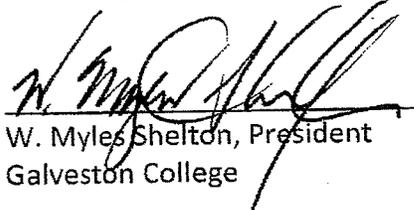
 Date _____
Bennie Matthews, Board Chair
College of the Mainland

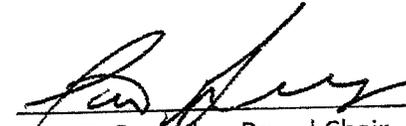
 Date _____
Brenda Hellyer, Chancellor
San Jacinto College District

 Date _____
Marie Flickinger, Board Chair
San Jacinto College District

 Date _____
Michael Murphy, President
Lee College

 Date _____
Mark Himsel, Board Chair
Lee College

 Date 11/22/10
W. Myles Shelton, President
Galveston College

 Date 11/18/2010
Tino F. Gonzalez, Board Chair
Galveston College

_____ Date _____
William A. Staples, President
University of Houston-Clear Lake

_____ Date _____
Carroll Robertson Ray, Board Chair
University of Houston System

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE: Facilities, Construction and Master Planning

ITEM: Approval of scope and site for a new University of Houston West Dining Facility.

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

Approval is requested for the scope and site for a West Dining Facility of approximately 15,000 NSF/25,000 GSF at the University of Houston.

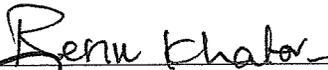
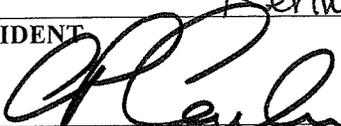
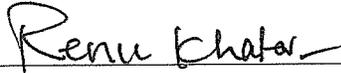
Information on the project and site are provided in the attached supporting documentation.

SUPPORTING DOCUMENTATION: West Dining Facility Project Information and Proposed Site Plan

FISCAL NOTE:

RECOMMENDATION/ACTION REQUESTED: Administration recommends approval of this item

COMPONENT: University of Houston

PRESIDENT	 _____	2/2/11 _____
	Renu Khator	DATE
EXECUTIVE VICE CHANCELLOR	 _____	2/1/2011 _____
	Carl Carlucci	DATE
CHANCELLOR	 _____	2/2/11 _____
	Renu Khator	DATE

West Dining Facility Project Information

The new West Campus Dining Facility will be approximately 15,000 NSF/25,000 square feet residential dining hall to support the residents of the Quads, the new Cougar Place Replacement Project and the needs of the campus community on the west side of campus.

The facility will feature the Real Food on Campus (RFoC) all-you-care-to-eat concept that is currently very popular with Quad residents and the communities who work in Roy Cullen, Heyne, Farish and McElhinney. It will provide an excellent alternative and compliment to the renovated Moody Dining Facility. A new C-store providing small grocery and convenience items will also be included.

In order to serve the 1,500+ residents of these communities as well as prepare for Phase 2 of Cougar Village, it is important that this facility be up and running by August 2012.

The existing dining area in Oberholtzer is small, outdated and has extensive deferred maintenance issues. In addition its location is not ideal for serving the west campus. Renovating this existing facility would be prohibitively expensive, costing more than a new facility. It would also not yield the capacity to meet existing needs let alone the increased demand anticipated in the future. Finally renovation would not allow us to provide the same enhanced state of the art dining experience a new facility could offer.

As the number of on campus residents increases there will be an increased need for residential food service. The renovation to Moody Dining also shows that if a new top quality state of the art facility is provided the campus community will respond enthusiastically and demand will increase exponentially.

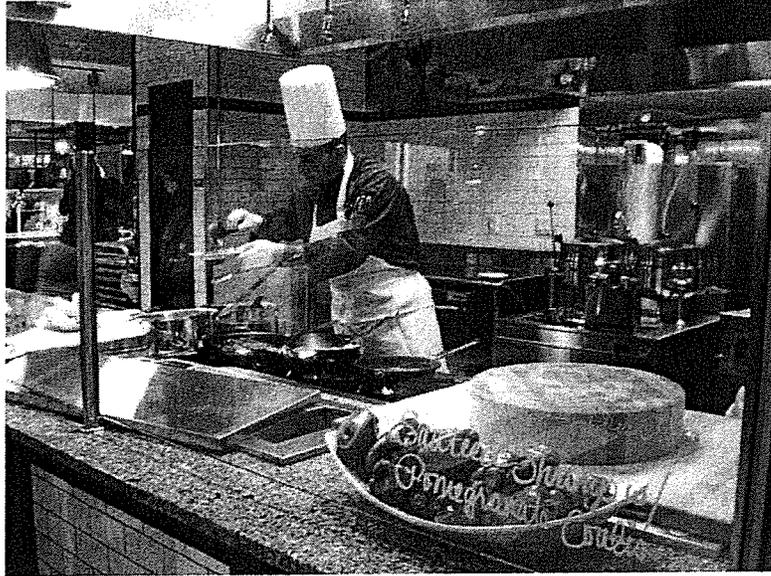
The existing 400 bed Cougar Place complex will be demolished this year. In its place a new 800 bed complex geared toward sophomores and upper class students will open in Fall 2012. This new facility will not include kitchens in the units and its residents will be required to purchase a meal plan. This will significantly increase the need for additional on campus dining options.

In addition Cougar Village Phase 2 is beginning conceptual planning. Opening of this significant structure is expected in Fall 2013 further increasing the need for on campus dining facilities.

This project will meet these needs, provide a new state of the art facility, provide an attractive alternative to complement Moody Dining, include outdoor dining options and increase service to the campus. When coupled with the Cougar Place Replacement project, renovation to the Quad and Cougar Village Phase 2 it will also increase student life and enhance the Cougar student experience.

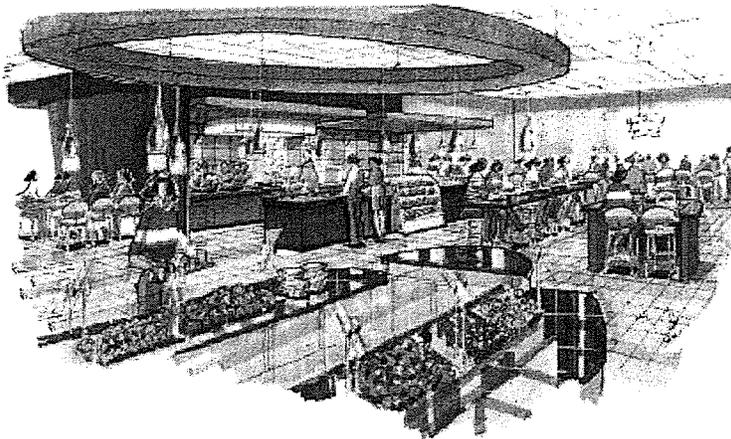
Design will begin immediately with groundbreaking this Fall. Construction would continue thru FY2012 with the project opening in August 2012 (at the same time as the Cougar Place replacement project opening). Once the new facility is open the space occupied by the existing dining facility in the Quad can be renovated for other student support needs.

University of Houston
Current Moody Towers
Fresh Food Company Concept

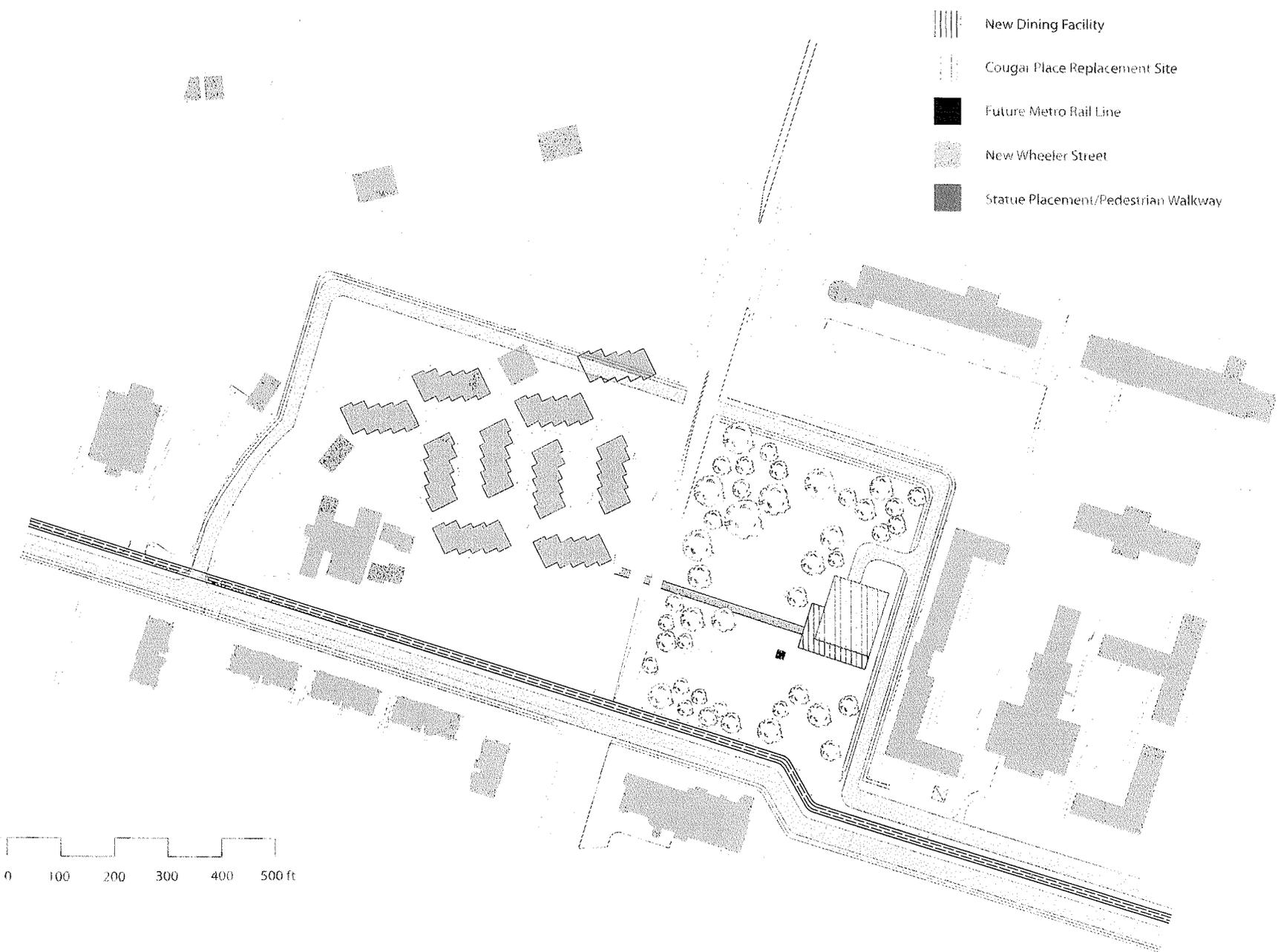


Proposed West Dining Facility
Real Food on Campus Concept

Texas Women's University – RFoC Concept Plan

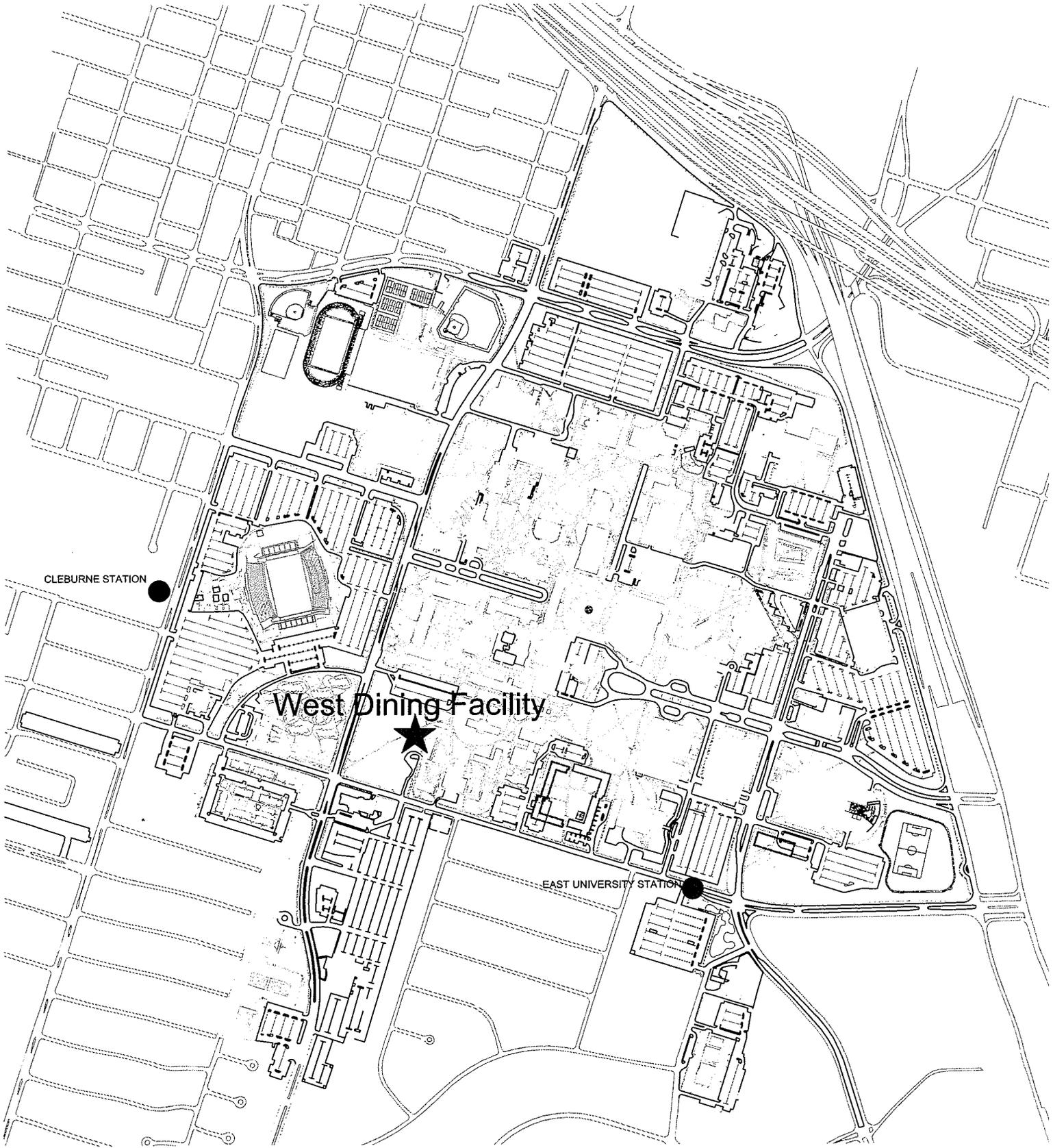


CONSENT DOCKET
FCMP – 1.4



-  New Dining Facility
-  Cougar Place Replacement Site
-  Future Metro Rail Line
-  New Wheeler Street
-  Statue Placement/Pedestrian Walkway





CLEBURNE STATION

West Dining Facility

EAST UNIVERSITY STATION

**CONSENT DOCKET
FCMP - 1.5**

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE: Facilities, Construction and Master Planning

ITEM: Project Scope Re-approvals for University of Houston Fleming Addition, the University of Houston Classroom and Business Building and the University of Houston-Clear Lake Arbor Building

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

Re-approvals are requested for the revised project scopes for University of Houston Fleming Addition, the University of Houston Classroom and Business Building and the University of Houston-Clear Lake Arbor Building.

For the Fleming Addition and the Classroom and Business Building, the current favorable bidding climate resulted in bids significantly below the approved project budgets. This has allowed the University to increase the size of each project and construct additional square footage.

For UHCL Arbor Building Addition, reapproval is sought because the project was not contracted within 18 months of Board approval as required by the Coordinating Board. The project delay allowed the project to be revised so that it came in under budget and allowed acceptance of an add alternate for additional space within the approved budget. The project is now under contract with SHW Architects and Palmer Construction.

The increase in the size and scope of the projects are detailed on the Project Scope Spreadsheet.

SUPPORTING DOCUMENTATION: Project Scope Reapproval Spreadsheet

FISCAL NOTE:

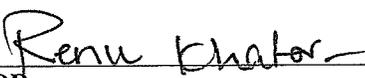
RECOMMENDATION/ACTION REQUESTED: Administration recommends approval of this item

COMPONENT: University of Houston System



EXECUTIVE VICE CHANCELLOR Carl Carlucci

2/1/2011
DATE



CHANCELLOR Renu Khator

2/2/11
DATE

PROJECT SCOPE REAPPROVAL - FEBRUARY 2011

CAMPUS	PROJECT NAME	UH BOR APPROVED BUDGET	UH BOR APPROVAL DATE	CB APPROVED BUDGET	CB APPROVAL DATE	ACTUAL BUDGET	APPROVED SIZE	ACTUAL SIZE	Reason for Reapproval
UH	Classroom and Business Building	\$ 31,000,000	Aug-09	\$ 31,000,000	Jan-10	\$ 41,000,000	112,723 GSF	146,940 GSF	Project Size and Scope increased from 112,723 GSF to 146,940 GSF with the addition of fifth floor. Project also expanded to include building out 3 floors of shell space for academic needs.
UH	Fleming Addition	Part of overall \$57.6M Science Renovation Project	May-08	Part of overall \$57.6M Science Renovation Project	May-08	Part of overall \$57.6M Science Renovation Project	60,000 GSF	105,686 GSF	Project Size and Scope increased from 60,000 GSF to 105,686 GSF with the addition of a fourth floor of shell space for future research.
UHCL	Arbor Building	\$ 11,604,808	Aug-08	\$ 11,604,808	Aug-08	\$ 11,604,808	31,000 GSF	33,384 GSF	The project has not contracted for the project within 18 months from its final Board approval date and Project Size and Scope increased from 31,000 GSF to 33,384 GSF with the addition of another wing to the building.

CONSENT DOCKET
FCMP - 2.2

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE: Endowment Management

ITEM: Approve the FY2011 University Advancement Endowment Assessment Rate of 1.5%

DATE PREVIOUSLY SUBMITTED: February 16, 2010

SUMMARY:

Approval is requested to continue assessing the UH System Endowment at a rate of 1.5% for FY2011 (FY2012 spending). This represents the annual approval by the Board of this assessment. The Endowment Statement of Investment Objectives and Policies permits the system to annually assess a reasonable fee against the earnings of specified endowment funds to offset expenses associated with gift acquisition and fundraising at the component universities. The investment policy also states that the Board shall annually review and approve the fee. The fee is based as a percentage of the fiscal year end market value averaged over rolling three-year periods for eligible endowments. If an endowment has been in existence less than three years, the average will be based on the number of years in existence.

SUPPORTING DOCUMENTATION:

FISCAL NOTE: Estimated assessment for FY2012 spending is \$3.5 million, which is the same as the FY2011 spending.

RECOMMENDATION/ACTION REQUESTED: Administration recommends approval of this item.

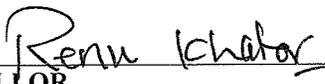
COMPONENT: University of Houston System



EXECUTIVE VICE CHANCELLOR Carl Carlucci

2/1/2011

DATE



CHANCELLOR Renu Khator

2/2/11

DATE

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE: Endowment Management

ITEM: Approval to liquidate the Joseph Michael Adamo Drama Scholarship Endowment

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

In accordance with UH System policy 3.F.02 – sections 3.4.2 and 3.15, approval is requested to liquidate the Joseph Michael Adamo Drama Scholarship Endowment currently invested in the UH System Endowment. This endowment was established in November 1991 to provide scholarships for drama students at UH. As of January 2011, the endowment has only received \$5,175 in gifts toward the pledge of \$20,000. In accordance with the terms of the endowment agreement, the endowment will be dissolved since the total pledge has not been reached. The endowment proceeds will be transferred to an operating fund to be spent for drama scholarships in accordance with the intent of the endowment.

SUPPORTING DOCUMENTATION:

FISCAL NOTE: Market value is \$8,326 as of 12/31/10.

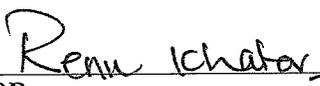
RECOMMENDATION/ACTION REQUESTED: Administration recommends approval of this item.

COMPONENT: University of Houston System



EXECUTIVE VICE CHANCELLOR Carl Carlucci

2/1/2011
DATE



CHANCELLOR Renu Khator

2/2/11
DATE

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE: Finance and Administration

ITEM: Approval of changes to the voluntary and optional fees and charges for the University of Houston System campuses.

**DATE PREVIOUSLY
SUBMITTED:**

SUMMARY:

Approval is requested for changes to the voluntary and optional fees and charges for the University of Houston System campuses. The proposed increases include:

- University of Houston - Voluntary and Optional Academic Fees
- University of Houston and University of Houston-Victoria - Housing
- University of Houston and University of Houston-Victoria - Meal Plans
- University of Houston - Parking

FISCAL NOTE:

SUPPORTING DOCUMENTATION: Powerpoint Presentation for the UHS Board of Regents Outlining the Voluntary and Optional Fee Changes
Summary of UHS Voluntary and Optional Fee Changes for each component

ACTION REQUESTED: Administration recommends approval of this item

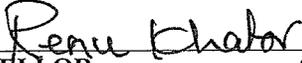
COMPONENT: University of Houston System



EXECUTIVE VICE CHANCELLOR

Carl Carlucci

2/1/2011
DATE



CHANCELLOR

Renu Khator

2/2/11
DATE



BOARD OF REGENTS

**Briefing for the UHS Board of Regents
Finance and Administration Committee**

F&A 1 – Voluntary & Optional Fees

February 16, 2011

**CONSENT DOCKET
F&A – 1.2**

University of Houston System FY2012 Voluntary and Optional Fee Changes

University of Houston

Academic Voluntary/Optional Fees

Housing

Meal Plans

Parking FY2012

Parking FY2013

UH-Victoria

Housing

Meal Plans

CONSENT DOCKET
F&A - 1.3

University of Houston

Voluntary/Optional Fees – Academic Affairs

- Voluntary/Optional Fees are not required for a student to enroll in classes, declare a major or graduate.
 - Study Abroad programs
 - Best estimate of actual costs for travel and lodging
 - Executive and Certificate programs
 - Specialized programs offer specific support and training above that of the regular degree program
 - Fee is in addition to mandatory university tuition and fees
 - Actual costs of materials and services provided to the student in the program and the cost of administering that program and may be market-driven

UNIVERSITY OF HOUSTON SYSTEM

Board of Regents

University of Houston

Academic Voluntary/Optional Fees

	FY2011	\$ Change	% Change	FY2012
Architecture				
Study Abroad Program	\$ 5,000	up to \$1,000	20%	up to \$6,000
Business				
Study Abroad Program	various	up to \$3,800	n/a	up to \$3,800
Executive MBA Programs	\$ 60,100	\$ 3,400	6%	\$ 63,500
Engineering				
Study Abroad Program (New)	\$0	\$1500-6000	n/a	\$1500-6000
Certificate Fee (New) per course	\$0	\$ 3,000	n/a	\$ 3,000
Honors				
Study Abroad Program (New)	\$0	up to \$5,000	n/a	up to \$5,000
Technology				
Exec. Degree in H.R. Development	\$0	\$ 25,000	n/a	\$ 25,000
Study Abroad Program (New)	\$0	up to \$5,000	n/a	up to \$5,000
Library				
Carrel Rental fee (per incident)	\$10	\$40	400%	\$50
Inter-Library Loan Fee (per item)	\$12	\$13	108%	\$25

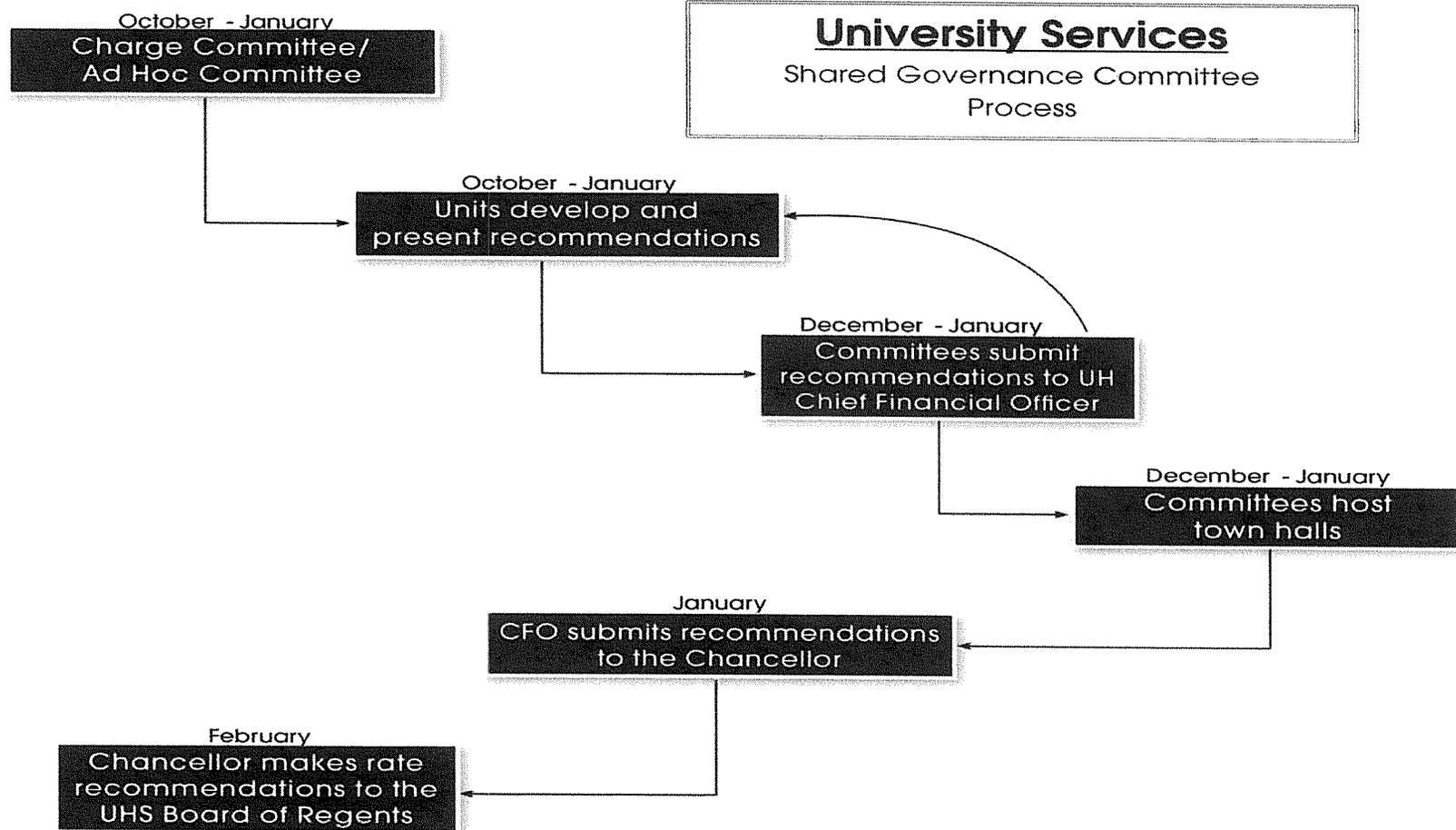
F&A - 15
 CONSENT DOCKET

UNIVERSITY OF HOUSTON SYSTEM

Board of Regents

University of Houston VOLUNTARY FEES TIMELINE

CONSENT DOCKET
F&A - 1.6



Shared Governance Committee Composition

Food Service Advisory Committee

Michael Harding, Student Chairman of the Committee
Tanea Tahir, Student, UC Policy Board
Johnnie Jackson, Student, UC Policy Board Alternate
Tushar Chawla, Student Government Association
Rebecca Szwarc, Staff Council
Linda Keng, Staff Council
Marinela Arreaza, Student At-Large
Xiaojing Yuan, Faculty Senate
Mike Nguyen, Student Government Association
Alternate
Evan Lee, Residence Hall Association
Bryan Haver, Residence Hall Association

Transportation and Parking Advisory Committee

Joe Papick - Staff Chairman of the Committee
Donald Fox, Faculty Senate
Emmanouil Papadakis, Faculty Senate
Jeremy May, Faculty Senate
Jaesub Lee – Faculty Senate
Robert A. Walker, Staff Council
Leslie Pruski, Staff Council
Bradley Bates, Student Government Association
Jeff Syptak, Student Government Association
Prince Wilson, Student Government Association
Calvin Green, Student Government Association
Matt Davis, Student Government Association

Housing Rate Ad Hoc Committee

Olu Afolabi, Student, Resident Assistant
Bryan Haver, Student, Residence Hall Association
Ed Hoff, Student, Residence Hall Association
Bethel Glumac, Student, Residence Hall Association
Prince Wilson, Student Government Association

CONSENT DOCKET
F&A – 1.7

UNIVERSITY OF HOUSTON SYSTEM

Board of Regents

University of Houston Housing

Student Housing

The student housing rate increases of an average 4.1% will offset capital expenditures for renovations to Moody Towers, Quadrangle, deferred maintenance and operating costs at all facilities.

CONSENT DOCKET
 F&A - 1.8

Rentable Options	FY2011	\$ Change	% Change	FY2012
9 Month Lease Option (per academic year)				
Quadrangle Double	4,350	262	6%	4,612
Quadrangle Private	5,760	346	6%	6,106
Moody Towers Double	3,928	236	6%	4,164
Moody Towers Single	4,902	294	6%	5,196
Moody Towers Private	5,376	322	6%	5,698
Cougar Village Double	4,950	148	3%	5,098
Cougar Village Single	6,435	195	3%	6,630
Monthly Lease Option				
Calhoun Lofts Efficiency	855	26	3%	881
Calhoun Lofts Efficiency	834	25	3%	859
Calhoun Lofts 1-Bed/1-Bath	1,056	32	3%	1,088
Calhoun Lofts 1-Bed/1-Bath	1,025	31	3%	1,056
Average Percentage Increase			4.1%	

University Partnership Housing

Bayou Oaks, and Cullen Oaks - 3.0% Increase

Cambridge Oaks will increase between 0-4.2% (3.6% average) depending on the apartment size.

UNIVERSITY OF HOUSTON SYSTEM

Board of Regents

University of Houston Meal Plans

Meal Plans (per Academic Year)

The meal plan prices are recommended to increase an average of 3.8% to keep up with the CPI projections for next calendar year for food. These prices were recommended by the Food Service Advisory Committee.

CONSENT DOCKET
F&A-1.9

	FY2011 Meal Plan Price w/Cougar Cash	\$ Change	% Change	FY2012 Meal Plan Price w/Cougar Cash
Residential Meal Plans (per semester)				
Lifestyle 21 (21 meal per week plus \$100 Cougar Cash)	1,550	60.0	3.9%	1,610
Lifestyle 15 (15 meals per week plus \$200 Cougar Cash)	1,550	60.0	3.9%	1,610
Lifestyle 160(160 meals per semester plus \$400 Cougar Cash)	1,550	60.0	3.9%	1,610
Commuter Meal Plans (per semester)				
Block 20 (20 meals per semester plus \$50 Cougar Cash)	190	10.0	5.3%	200
Block 40 (40 meals per semester plus \$100 Cougar Cash)	360	10.0	2.8%	370
Block 80 (80 meals per semester plus \$150 Cougar Cash)	590	20.0	3.4%	610
Average % Increase			3.8%	

UNIVERSITY OF HOUSTON SYSTEM

Board of Regents

University of Houston Parking

Parking Permit Prices FY12 & FY13

Parking rates are recommended by the Transportation and Parking Advisory Committee to allow for future parking facility improvements and development as well as increasing services offered.

Recommended faculty/staff parking rates increased an average of 13.8% in FY12 and 18% in FY13, while student rates increased an average 22.7% in FY12 and 21% in FY13. All of the projected revenue increase will be applied towards the Stadium Parking Garage debt service, two smaller garages as well as fund additional surface lot parking.

Permit Type	\$			%			FY2013
	FY2011	Change	Change	FY2012	Change	Change	
Student							
General - Semester (Fall or Spring)	\$ 99	\$ 18	18%	\$ 117	\$ 24	21%	\$ 141
General - Academic Year	166	30	18%	196	39	20%	235
Summer	40	6	15%	46	9	20%	55
Residence Hall - Semester (Fall or Spring)	128	51	40%	179	36	20%	215
Residence Hall - Academic Year	215	86	40%	301	60	20%	361
Economy	63	9	14%	72	14	19%	86
Economy Plus	93	14	15%	107	21	20%	128
Garage Semester	158	35	22%	193	48	25%	241
Garage Academic Year	264	58	22%	322	81	25%	403
Average Percentage Increase			22.7%			21.0%	
Faculty/Staff							
Reserved Covered - Academic Year	629	126	20%	755	151	20%	906
Reserved - Academic Year	450	90	20%	540	108	20%	648
Gated - Semester	188	28	15%	216	44	20%	260
Gated - Academic Year	314	47	15%	361	72	20%	433
Ungated - Semester	108	13	12%	121	24	20%	145
Ungated - Academic Year	180	22	12%	202	40	20%	242
Garage Semester	285	23	8%	308	37	12%	345
Garage Academic Year	474	38	8%	512	61	12%	573
Disabled - Semester	93	14	15%	107	21	20%	128
Disabled - Academic Year	155	23	15%	178	36	20%	214
Average Percentage Increase			13.8%			18.0%	

CONSENT DOCKET
F&A - 1.10

Board of Regents

UH-Victoria

UH-Victoria Housing and Meal Plans

VOLUNTARY FEES TIMELINE

•October

UHV CFO requests recommendations from contracted Food and Housing services.

•November

UHV researches recommendations by comparing costs with area universities.

•December-January

Food Services Committee and Housing Committee reviews recommendations and forwards them to UHV Budget Committee

•January

UHV Budget Committee (President, Provost, Vice President for Administration and Finance) reviews recommendations

•January

UHV CFO submits recommendations to UH System CFO

•February

Chancellor makes rate recommendations to the UHS Board of Regents

CONSENT DOCKET
F&A - 1.11

UNIVERSITY OF HOUSTON SYSTEM

Board of Regents

UH-Victoria Housing and Meal Plans

Student Housing (Per Academic Year)

The student housing rate increase of 4.9% will offset increased operating and maintenance costs.

Student Housing (Per Academic Year)	FY2011	\$ Change	% Change	FY2012
Double	4,050	200	4.9%	4,250

Meal Plan (Per Semester)

Various meal plans rate increases to partially cover increased operating costs. Average percentage increase of 2.2%; No increase to resident meal plans.

Meal Plan (Per Semester)	FY2011	\$ Change	% Change	FY2012
Commuter meal Plan				
Select Plan 80 (80 meals/semester)	420	20	5%	440
Faculty/Staff Meal Plan				
Block 5 (5 meals/semester)	30.00	2.50	8%	32.50
Block 10 (10 meals/semester)	55.00	7.50	14%	62.50
Block 15 (15 meals/semester)	80.00	10.00	13%	90.00
Average Percentage Increase			2.2%	

F&A - 1.12
 CONSENT DOCKET

UNIVERSITY OF HOUSTON SYSTEM

Board of Regents

University of Houston System

FY2012 Voluntary and Optional Fee Changes

Summary

CONSENT DOCKET
F&A - 1.13

	Estimated Revenue Change	Average Percentage Increase
University of Houston		
Academic Voluntary/Optional Fees	\$ 1,342,700	Various
Housing	743,100	4.1%
Meal Plans	361,000	3.8%
Parking FY2012	1,275,000	13.8% Faculty/Staff 22.7% Student
Parking FY2013	1,206,400	18.0% Faculty/Staff 21.0% Student
UH-Victoria		
Housing	\$ 50,400	4.9%
Meal Plans	8,900	2.2%

FY2012 Voluntary and Optional Fee Changes

Fee Description	Current Rate	Change	Proposed Rate	Estimated Revenue Change	Justification/Revenue Use
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**University of Houston
FY2012 Voluntary and Optional Fee Changes**

SUMMARY		Estimated Revenue Change
COLLEGE OPTIONAL FEES		\$ 1,342,700
HOUSING		743,100
MEAL PLANS		361,000
PARKING FY2012		1,275,000
PARKING FY2013		1,206,400
TOTAL UNIVERSITY OF HOUSTON		<u><u>\$ 4,928,200</u></u>

**CONSENT DOCKET
F&A - 1.14**

FY2012 Voluntary and Optional Fee Changes

Fee Description	Current Rate	Change	Proposed Rate	Estimated Revenue Change	Justification/Revenue Use
University of Houston					
Academic Optional Fees					
Architecture					
Study Abroad Program	\$5000/program	up to \$1000/program	up to \$6000/program	\$20,000	Increases to certain study programs previously existing to be used for travel and living expenses; additional program added; increases to previous existing program to offset travel and living expense increases.
Business					
Study Abroad Program	various	up to \$3800/program	up to \$3800/program	\$38,700	Increases to certain study programs previously existing to be used for travel and living expenses; additional program added; increases to previous existing program to offset travel and living expense increases.
Executive MBA Programs	\$60,100/program	\$3400/program	\$63,500/program	\$217,600	Includes UH mandated tuition and fees. Increases to offset faculty costs, academic material, international bus trip, catering, technology, staff support, marketing and computer software and any other necessary overhead expenses towards the program. Includes all tracks and applies to new enrollments beginning fall 2011.
Engineering					
Study Abroad Program	\$0	\$1500-\$6000/program	\$1500-\$6000/program	\$120,000	Supports travel, room, board, field trips & misc. expenses. Student demand for international experiences.
Certificate Fee	\$0	\$3000/course	\$3000/course	\$180,000	Includes UH mandated tuition and fees. There has been a strong demand from industry (3 courses) for certificate program in subsea, leading to Master's degree.
Honors					
Study Abroad Program	\$0	up to \$5000/Program	up to \$5000/Program	\$200,000	Supports travel, room, board, field trips & misc. expenses. Student demand for international experiences.
Technology					
Executive Degree in Human Resource Development	\$0	\$25,000/program	\$25,000/program	\$250,000	does not include UH mandated tuition and fees. The program is designed for HRD executives and professionals in an accelerated and custom format. The increase in this fee will pay all student expenses, student travel, executive faculty for selected course delivery, speaker/specialist cost, program administration and provide GA support for the program.
Study Abroad Program	\$0/program	up to \$5000/program	up to \$5000/program	\$300,000	Supports travel, room, board, field trips & misc. expenses. Student demand for international experiences.
Library					
Carrel Rental Fee	\$10/incident	\$40/incident	\$50/incident	\$15,000	To defray additional costs of providing carrels.
Interlibrary Loan Fee	\$12/item	\$13/item	\$25/item	\$1,400	To support Interlibrary loans to non-UH affiliates for service fees, fax and long distance costs.
Library Equipment Replacement Fee (consolidation)		At cost	At cost		Consolidate various replacement fees into a single equipment fee and is revenue neutral.
Library Replacement Fee - 20GB Hard Drive	At cost	\$0			
Library Replacement Fee - A/C Adapter and Power Cord	At cost	\$0			
Library Replacement Fee - Battery	At cost	\$0			
Library Replacement Fee - Floppy Drive	At cost	\$0			
Library Replacement Fee - Laptop	At cost	\$0			
Library Replacement - Keys	At cost	\$0			
Subtotal Academic Optional Fees				\$ 1,342,700	

CONSENT DOCKET
F&A - 1.15

FY2012 Voluntary and Optional Fee Changes

Fee Description	Current Rate	Change	Proposed Rate	Estimated Revenue Change	Justification/Revenue Use
University of Houston (continued)					
Student Housing					
9-month leases:				\$743,100	The student housing rate increase of 6% for Quadrangle and Moody Towers and 3% increases for Calhoun Lofts and Cougar Village will partially offset increased operating costs and salary increases. Houston Partnership Housing - Bayou Oaks and Cullen Oaks increased 3%. Cambridge Oaks will increase an average 3.6 percent.
Moody Towers					
Double Room	\$3,928	\$236	\$4,164		
Single Room	\$4,902	\$294	\$5,196		
Super Single Room	\$5,376	\$322	\$5,698		
Quadrangle					
Double Room	\$4,350	\$262	\$4,612		
Super Single Room	\$5,760	\$346	\$6,106		
Cougar Village					
Single Room	\$6,435	\$195	\$6,630		
Double Room	\$4,950	\$148	\$5,098		
Monthly lease option:					
Calhoun Lofts					
Efficiency (Furnished)	\$855	\$26	\$881		
Efficiency (Unfurnished)	\$834	\$25	\$859		
Lofts 1-bed/1-bath (Furnished)	\$1,056	\$32	\$1,088		
Lofts 1-bed/1-bath (Unfurnished)	\$1,025	\$31	\$1,056		
Lofts 2-Bed/1-Bath (Furnished)	\$788	\$0	\$788		
Lofts 2-Bed/1-Bath (Unfurnished)	\$767	\$0	\$767		
Meal Plans					
Residential Meal Plans (per semester/per academic year)				\$361,000	Meal plan rates are recommended by the Food Service Advisory Committee. The FY2012 proposed meal plan rates are increasing an average of 3.84% to cover increased food and transportation costs.
Lifestyle 21 (21 all-you-care-to-eat meals per week plus \$100 C					
	\$1,550	\$60	\$1,610		
Lifestyle 15 (15 all-you-care-to-eat meals per week plus \$200 C					
	\$1,550	\$60	\$1,610		
Lifestyle 160(160 all-you-care-to-eat meals per semester plus \$4					
	\$1,550	\$60	\$1,610		
Cougar Cash (Juniors, Seniors and Graduate Residents only)					
	\$1,350	\$0	\$1,350		
Commuter Meal Plans (per semester)					
Select 300 (all cougar cash)	\$300	\$0	\$300		
Select 500 (all cougar cash)	\$500	\$0	\$500		
Select 800 (all cougar cash)	\$800	\$0	\$800		
Select 1000 (all cougar cash)	\$1,000	\$0	\$1,000		
Block 20 (20 all-you-care-to-eat meals per semester plus \$50 C	\$190	\$10	\$200		
Block 40 (40 all-you-care-to-eat meals per semester plus \$100 C	\$360	\$10	\$370		
Block 80 (80 all-you-care-to-eat meals per semester plus \$150 C	\$590	\$20	\$610		
Faculty/Staff Meal Plans (per month)					
Block 5 (5 all-you-care-to-eat meals per month)	\$30	\$0	\$30		
Block 10 (10 all-you-care-to-eat meals per month)	\$55	\$0	\$55		
Block 15 (15 all-you-care-to-eat meals per month)	\$80	\$0	\$80		
Cougar Cash	\$25	\$0	\$25		

CONSENT DOCKET
F&A - 1.16

FY2012 Voluntary and Optional Fee Changes

Fee Description	Current Rate	Change	Proposed Rate	Estimated Revenue Change	Justification/Revenue Use
University of Houston (continued)					
Parking Fees FY2012					
Parking Permit Rates					
Students				\$1,275,000	Parking rates are recommended by the Transportation and Parking Advisory Committee to allow for future parking facility improvements and development as well as increasing services offered. Recommended faculty/staff parking rates increased an average of 13.8%, while student rates increased an average of 22.7%. All of the projected revenue increase will be applied towards the Stadium Parking Garage debt service.
General - Semester (Fall or Spring)	\$99	\$18	\$117		
General - Fall & Spring	\$166	\$30	\$196		
General - Summer	\$40	\$6	\$46		
Residence Hall - Semester (Fall or Spring)	\$128	\$51	\$179		
Residence Hall - Academic Year	\$215	\$86	\$301		
Economy	\$63	\$9	\$72		
Economy Plus	\$93	\$14	\$107		
Garage Semester (Fall or Spring or Summer)	\$158	\$35	\$193		
Garage Academic Year (Fall, Spring, & Summer)	\$264	\$58	\$322		
Faculty/Staff					
Reserved Covered - Academic year	\$629	\$126	\$755		
Reserved - Academic Year	\$450	\$90	\$540		
Gated - Semester (Fall or Spring or Summer)	\$188	\$28	\$216		
Gated - Academic Year	\$314	\$47	\$361		
Ungated - Semester (Fall or Spring or Summer)	\$108	\$13	\$121		
Ungated - Academic Year	\$180	\$22	\$202		
Garage Semester (Fall or Spring or Summer)	\$285	\$23	\$308		
Garage Academic Year	\$474	\$38	\$512		
All Disabled - Semester (fall or Spring or Summer)	\$93	\$14	\$107		
Disabled - Academic Year	\$155	\$23	\$178		
Parking Fees FY2013					
Students				\$1,206,400	Parking rates are recommended by the Transportation and Parking Advisory Committee to allow for future parking facility improvements and development as well as increasing services offered. Recommended faculty/staff parking rates increased an average of 18%, while student rates increased an average of 21%. All of the projected revenue increase will be applied towards the Stadium Parking Garage debt service.
General - Semester (Fall or Spring)	\$117	\$24	\$141		
General - Fall & Spring	\$196	\$39	\$235		
General - Summer	\$46	\$9	\$55		
Residence Hall - Semester (Fall or Spring)	\$179	\$36	\$215		
Residence Hall - Academic Year	\$301	\$60	\$361		
Economy	\$72	\$14	\$86		
Economy Plus	\$107	\$21	\$128		
Garage Semester (Fall or Spring or Summer)	\$193	\$48	\$241		
Garage Academic Year (Fall, Spring, & Summer)	\$322	\$81	\$403		
Faculty/Staff					
Reserved Covered - Academic year	\$755	\$151	\$906		
Reserved - Academic Year	\$540	\$108	\$648		
Gated - Semester (Fall or Spring or Summer)	\$216	\$44	\$260		
Gated - Academic Year	\$361	\$72	\$433		
Ungated - Semester (Fall or Spring or Summer)	\$121	\$24	\$145		
Ungated - Academic Year	\$202	\$40	\$242		
Garage Semester (Fall or Spring or Summer)	\$308	\$37	\$345		
Garage Academic Year	\$512	\$61	\$573		
All Disabled - Semester (fall or Spring or Summer)	\$107	\$21	\$128		
Disabled - Academic Year	\$178	\$36	\$214		
Total Voluntary and Optional Fees - University of Houston				\$ 4,928,200	

CONSENT DOCKET
 F&A - 1.17

FY2012 Voluntary and Optional Fee Changes

Fee Description	Current Rate	Change	Proposed Rate	Estimated Revenue Change	Justification/Revenue Use
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**UH-Victoria
FY2012 Voluntary and Optional Fee Changes**

SUMMARY	Estimated Revenue Change
HOUSING	\$ 50,400
MEAL PLANS	8,900
TOTAL UH - VICTORIA	\$ 59,300

**CONSENT DOCKET
F&A - 1.18**

University of Houston System

FY2012 Voluntary and Optional Fee Changes

Fee Description	Current Rate	Change	Proposed Rate	Estimated Revenue Change	Justification/Revenue Use
University of Houston - Victoria					
Student Housing (per academic year)				\$50,400	The student housing rate increase of 4.9% will offset increased operating and maintenance costs.
Single	\$6,000	\$0	\$6,000		
Double	\$4,050	\$200	\$4,250		
Meal Plan				\$8,900	Various meal plans rate increases to partially cover increased operating costs. Average percentage increase of 2.2%. No increase to resident meal plans.
Residential students (per semester-19 meals per week)	\$1,250	\$0	\$1,250		
Non-residential student					
Block 20 (20 meals per semester)	\$130.00	\$0.00	\$130.00		
Block 40 (40 meals per semester)	\$250.00	\$0.00	\$250.00		
Block 80 (80 meals per semester)	\$420.00	\$20.00	\$440.00		
Faculty/Staff Meal Plan					
Block 5 (5meals per semester)	\$30.00	\$2.50	\$32.50		
Block 10 (10meals per semester)	\$55.00	\$7.50	\$62.50		
Block 15 (15meals per semester)	\$80.00	\$10.00	\$90.00		
Door/Cash Price					
Breakfast	\$6.00	\$0.00	\$6.00		
Lunch	\$7.00	\$0.00	\$7.00		
Dinner	\$8.00	\$0.00	\$8.00		
Total Voluntary and Optional Fees - University of Houston of Victoria				\$ 59,300	

CONSENT DOCKET
F&A - 1.19

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE: Finance & Administration

ITEM: Approval is requested to write off uncollectable Accounts and Notes Receivable for FY2010

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

Approval is requested to write-off Accounts and Notes Receivable totaling \$11,513,099 (in 15,876 accounts) for Fiscal Year 2010 for the University of Houston, University of Houston-Clear Lake, University of Houston-Downtown, and University of Houston-Victoria. The FY2009 write-off for all Universities was \$11,326,023 (in 12,048 accounts). State Universities are required by law to extend credit to students without consideration of credit history or ability to repay. The University of Houston accepts research awards from, and extends credit to, various federal, state, private, and local agencies and organizations.

	<u>FY 2010</u>
University of Houston	10,371,844
University of Houston System	0
University of Houston – Clear Lake	278,948
University of Houston – Downtown	739,014
University of Houston – Victoria	<u>123,293</u>
	<u>\$ 11,513,099</u>

SUPPORTING

DOCUMENTATION: Student account billing, collection, and write off timetable. Detailed schedules are on file in the UH Division of Finance Offices.

FISCAL NOTE: Requested write off total \$11,513,099

**RECOMMENDATION/
ACTION REQUESTED:** Administration recommends approval of this item

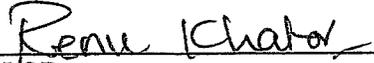
COMPONENT: University of Houston System



EXECUTIVE VICE CHANCELLOR Carl Carlucci

2/1/2011

DATE



CHANCELLOR Renu Khator

2/2/11

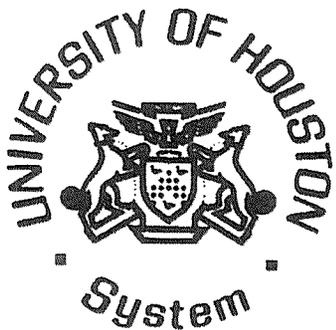
DATE

UNIVERSITY OF HOUSTON SYSTEM

Uncollectible Receivables

Write-off process

FY 2010





All accounts receivable to be written off are approved by the Board of Regents (BOR) of the University of Houston System.

- General Accounting will compile a list of all such accounts receivable for submission to the BOR.
- Accounts receivable are eligible for write-off once they have been outstanding for 720 days (two years).
- To be considered for write off, the department must demonstrate that adequate steps were taken to collect the amount due.

The write-off of an uncollected account is a bookkeeping entry only and does not relieve the debtor from financial responsibility to the university.

- Although the uncollected account has been removed from the books and records the university may still have a claim against the debtor and may still seek legal remedy (e.g., sue for collection in a court of law).
- Therefore, it is the responsibility of each department to maintain adequate records regarding legal financial obligations (i.e., debts) owed to the university.



Tuition, Fees, and Loans

Student charges, UHS average bad debt is about 1%

Sales and Services

Grants and Contracts

Sponsored projects, UH average bad debt is about 0.5%

- 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.

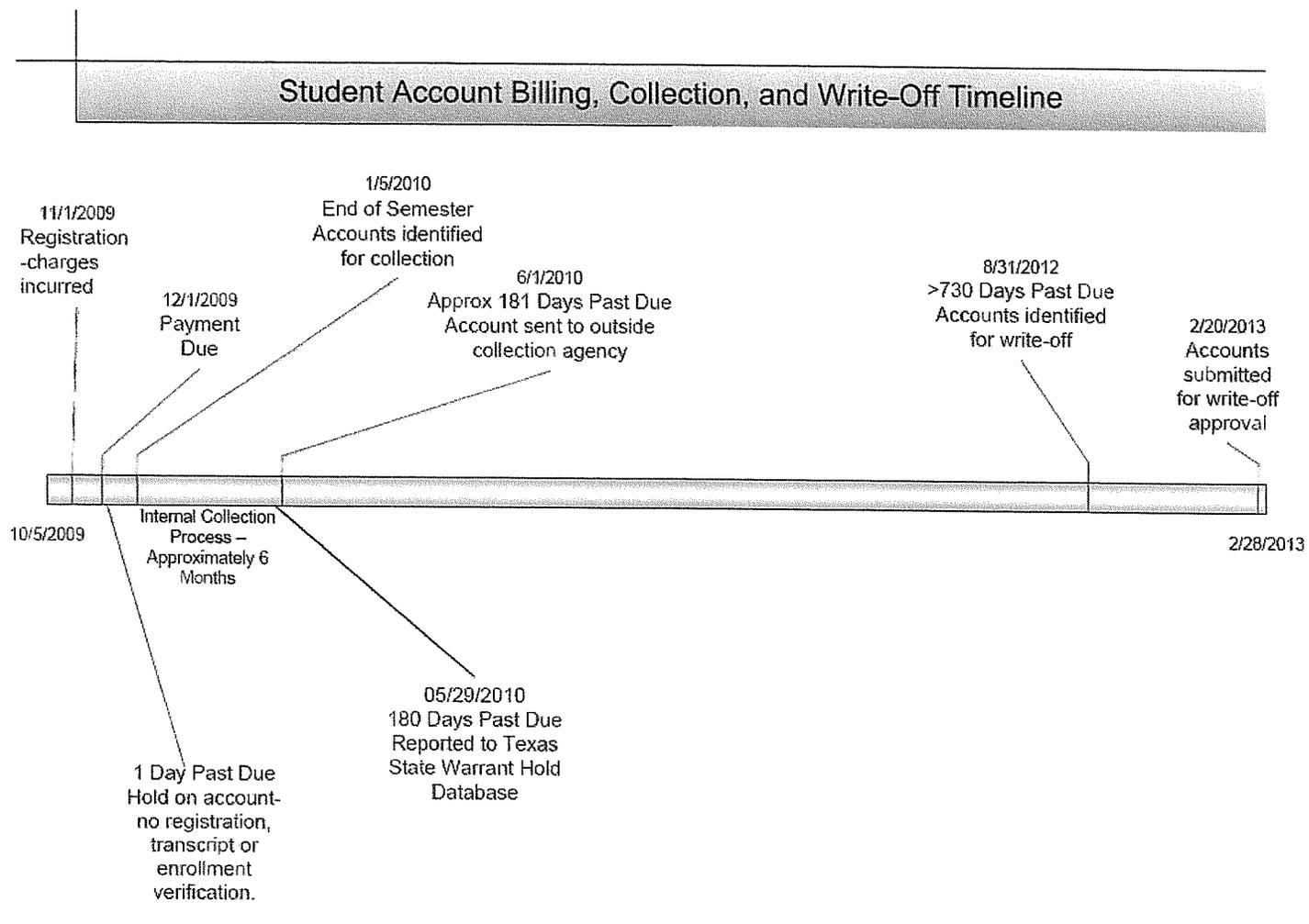


Year	2009	2010
TOTAL	\$ 11,326,023	\$ 11,513,099
Tuition, Fees, and Loans	\$ 11,299,254	\$ 5,900,271
Sales and Services	\$ 26,769	\$ 5,546
Contracts and Grants	NA	\$ 5,607,282



Student Account Billing, Collection and Write-Off Timeline

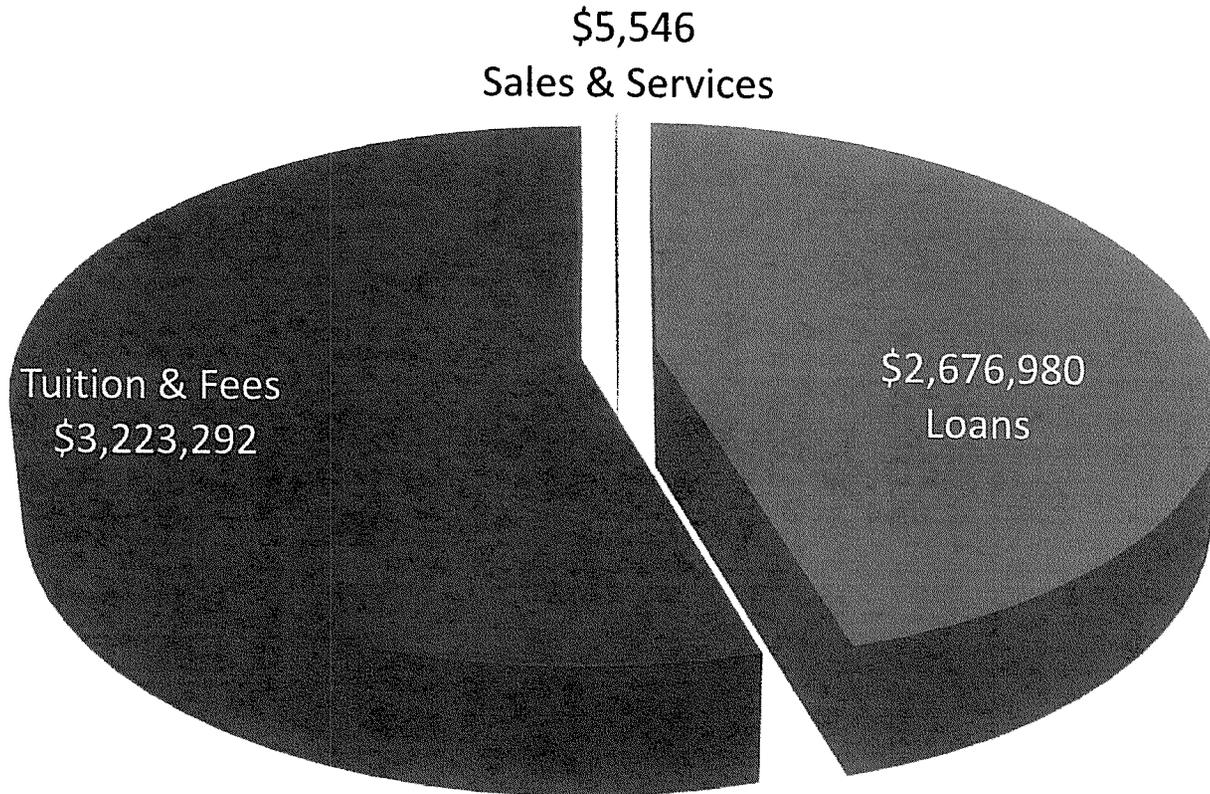
Student Account Billing, Collection, and Write-Off Timeline



CONSENT DOCKET
F&A – 2.6



Proportion of Student Debt by Type

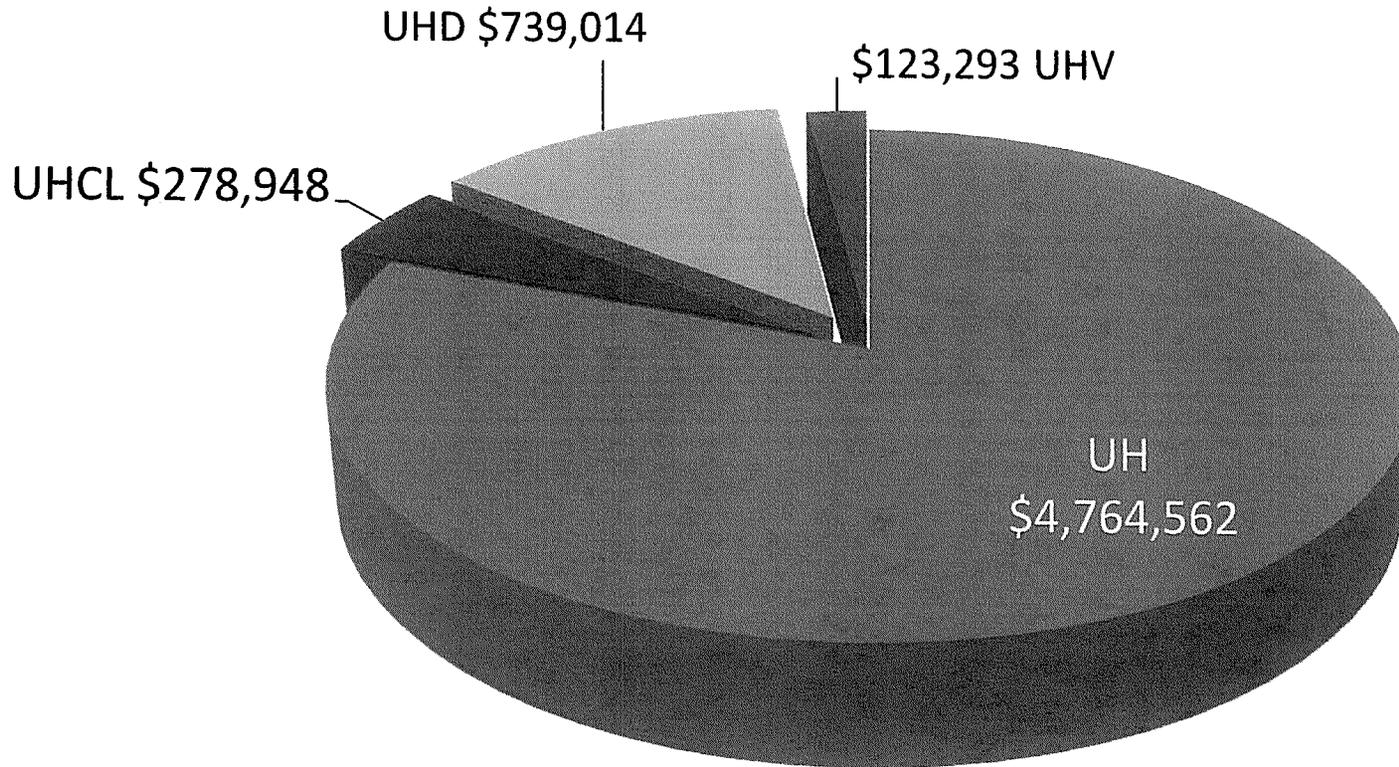


CONSENT DOCKET
F&A - 2.7



Tuition, Fees, Loans By Campus

CONSENT DOCKET
F&A - 2.8





Uncollectable Receivables from Sponsored Research Awards

We bill sponsors for:

the DIRECT COSTS (DC) associated with doing sponsored research,

and

the INDIRECT COSTS (IDC) the overhead we receive on sponsored
research awards



UH Research Annual Totals

Year	Research Expenditures
2006	\$68,759,067
2007	\$71,188,359
2008	\$79,774,630
2009	\$82,844,190
2010	\$90,008,348

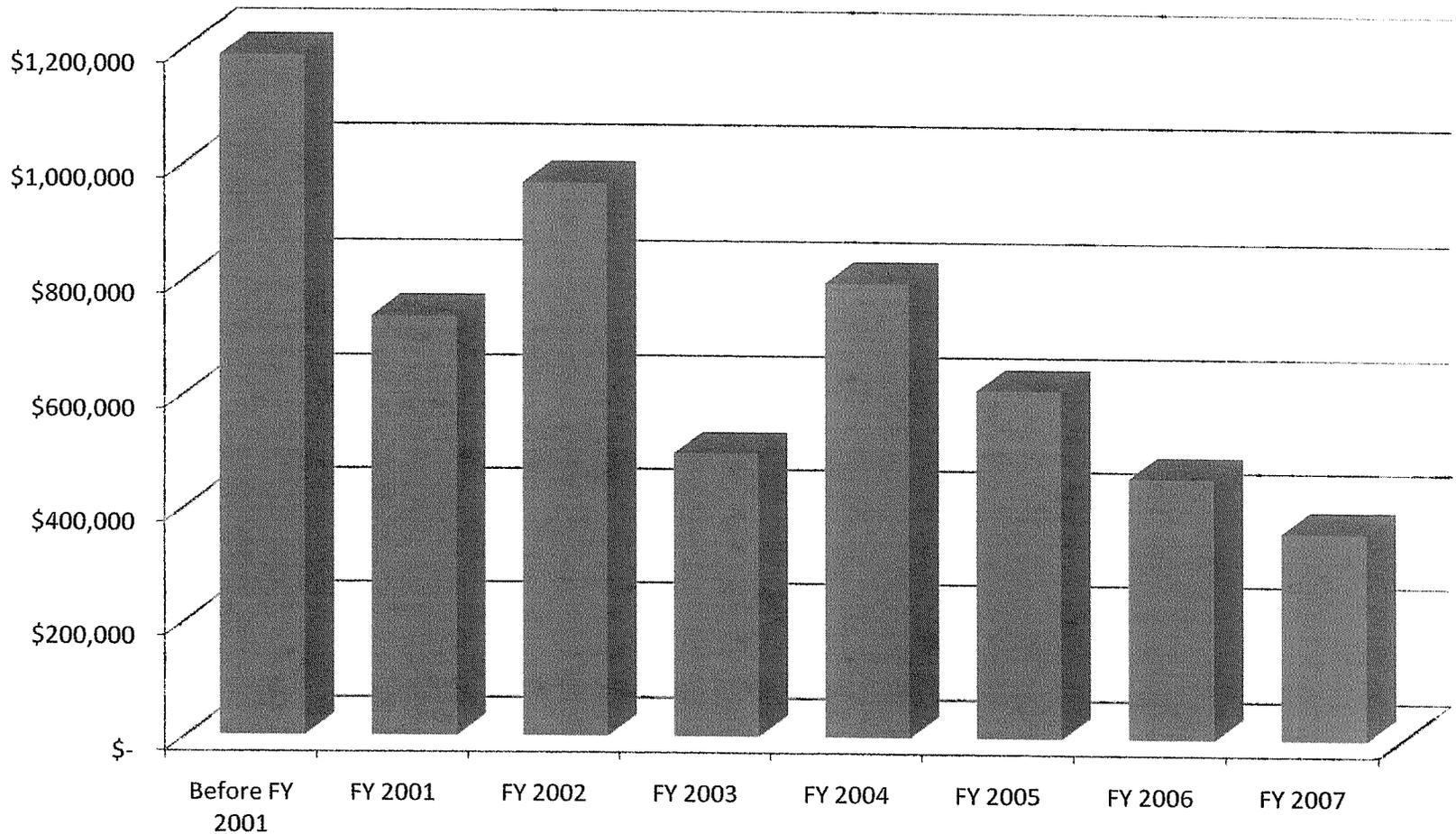
CONSENT DOCKET
F&A – 2.10



History of Awards Uncollectible

By Award End Date

CONSENT DOCKET
F&A - 2.11



Total Accumulated Award Deficit: \$5,607,282



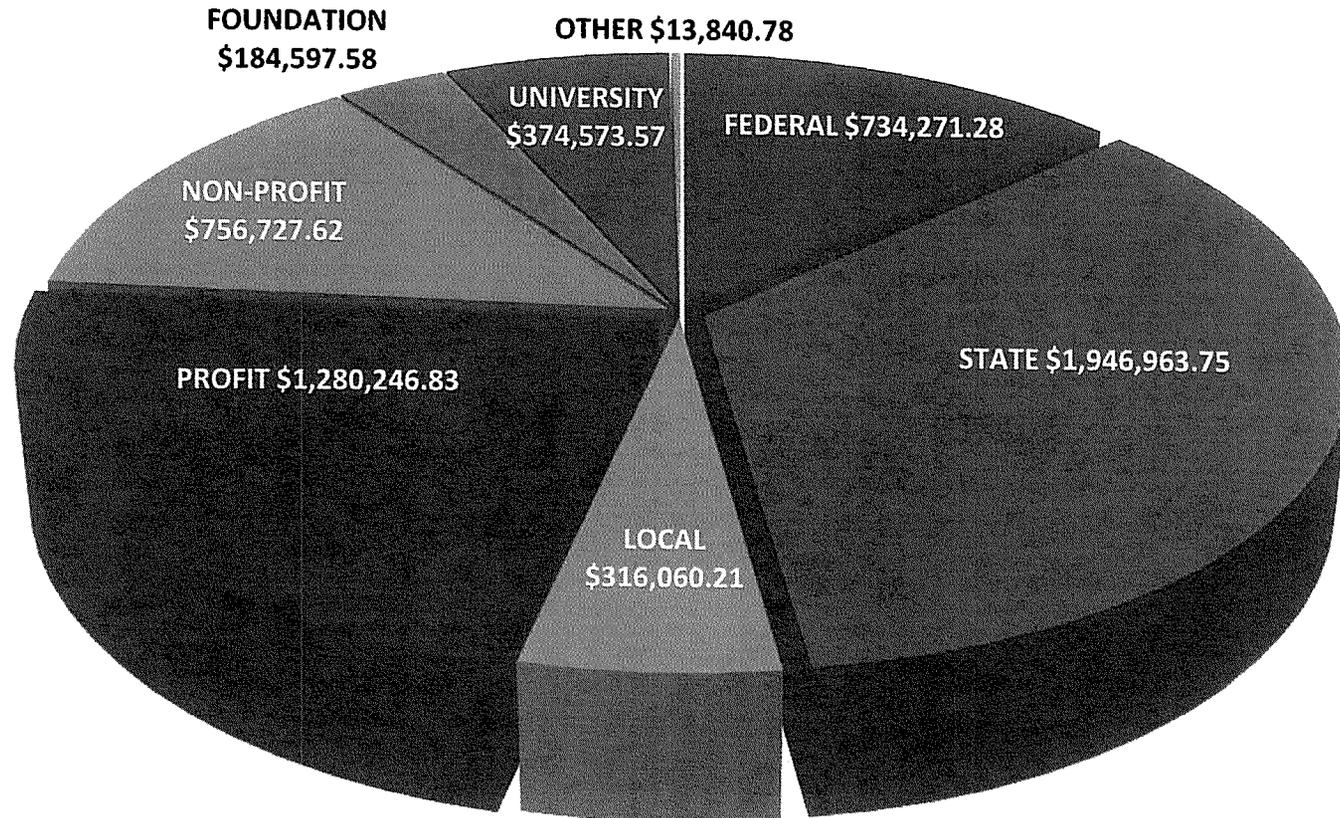
Why can't we collect?

Common Reasons for Nonpayment of Invoices

- Expenses posted to award after final invoice or expiration of letter of credit
- Sponsor not invoiced or not invoiced correctly due to bad setup
- Sponsor invoiced but claims to not receive it
- Sponsor receives invoice after funds have expired
- Sponsor receives invoice but fails to pay due to internal mistakes or misrouting
- Sponsor does not have funds to pay because of reducing or ceasing operations or bankruptcy
- Sponsor rejects work or deliverables, refuses payment
- Sponsor funds withdrawn due to legislation or budget cuts
- Sponsor not responsive



Accumulated Award Deficit by Sponsor Type

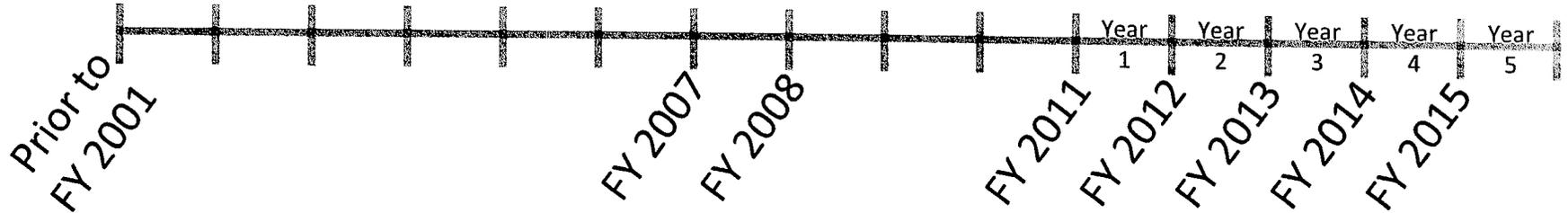


CONSENT DOCKET
F&A - 2.13



Financial Solution Overview

Annual Allocation of \$1.12 million
Bad Debt Payment for Five Years



Prior to FY 2001

Deficit: \$1,187,393

Allowability Accounting Adjustment

Deficit: \$341,878

Material Deficit

Deficit: \$4,078,011

Propose we write off
deficits totaling
\$5,607,282.

CONSENT DOCKET
F&A - 2.14



Moving Forward

actions taken

- ☑ Trained RFS analysts in research administration
- ☑ Involved RFS analysts in award setup
- ☑ Partnered with Research Accounting on collections
- ☑ Negotiated payment plans for delinquent sponsors

be proactive

- Consider sponsor payment history for new proposals or awards
- Generate a statement with every invoice
- Separate bank account for Research payments

act quickly

- New AR tracking and aging system; use consistent approach across campus
- Issue collection letters promptly
- Inform and involve PI and department
- Use all available sponsor contacts

enforce accountability

- Fully analyze each case
- Hold appropriate parties accountable
- Pursue action against non-paying sponsors
- Create bad debt reserve fund
- Annual write-off of bad debt

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE: Finance & Administration

ITEM: Approval is requested to write off obsolete Capital Assets for FY2010

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

Approval is requested to write off obsolete equipment and library book inventories with a total residual value of \$1,202,934 for FY2010 for the Universities of Houston, Clear Lake, Downtown, Victoria and System Administration. The residual value of \$1,202,934 pertains to \$9.0 million in original book value less \$7.8 million in accumulated depreciation. For FY2009, the comparable reduction of inventory had residual value of \$420,156 with a book value of \$9.9 million and accumulated depreciation of \$9.5 million.

In the disposal of obsolete inventory, the University follows state guidelines for the disposal of fixed assets, which includes sales by public auction, trade-in for purchases, transfers to assistance organizations such as school districts, and, for the library, the removal of books and periodicals from circulation.

	<u>FY 2010</u>
University of Houston	\$ 1,076,514
University of Houston System	633
University of Houston – Clear Lake	34,819
University of Houston – Downtown	74,971
University of Houston – Victoria	<u>15,997</u>
	<u>\$ 1,202,934</u>

SUPPORTING

DOCUMENTATION: Schedule of Reduction in Capital Assets for FY2010. Detailed schedules are on file in the UH Division of Finance Offices.

FISCAL NOTE: Requested write off total \$1,202,934.

**RECOMMENDATION/
ACTION REQUESTED:** Administration recommends approval of this item

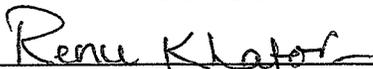
COMPONENT: University of Houston System



EXECUTIVE VICE CHANCELLOR Carl Carlucci

2/1/2011

DATE



CHANCELLOR Renu Khator

2/2/11

DATE

University of Houston
Reduction in Capital Assets
Fiscal Year 2010

<u>Summary by Type of Reduction</u>	<u>ORIGINAL COST</u>	<u>DEPRECIATION</u>	<u>RESIDUAL VALUE</u>
Equipment			
Sold	\$ 711,608	\$ 233,299	\$ 478,309
Salvaged	\$ 2,024,403	\$ 1,894,942	\$ 129,461
Obsolete	\$ 2,584,243	\$ 2,547,408	\$ 36,834
Traded - In	\$ 163,300	\$ 148,720	\$ 14,580
Lost/Stolen	\$ 214,432	\$ 187,371	\$ 27,061
Returned to Sponsor	\$ 1,028,088	\$ 529,306	\$ 498,782
Transferred to Assistance Organizations	\$ 60,593	\$ 60,240	\$ 353
Transferred to Other Government Units	\$ 35,762	\$ 18,208	\$ 17,554
Total Reductions in Equipment	<u>\$ 6,822,429</u>	<u>\$ 5,619,494</u>	<u>\$ 1,202,934</u>
Library Books			
Withdrawn From Circulation	<u>\$ 2,210,611</u>	<u>\$ 2,210,611</u>	<u>\$ -</u>
Total Reductions in Capital Assets	<u>\$ 9,033,040</u>	<u>\$ 7,830,105</u>	<u>\$ 1,202,934</u>
 <u>Summary by Campus</u>			
University of Houston	\$ 3,565,594	2,489,080	1,076,514
UH System Administration	\$ 6,327	5,694	633
UH - Clear Lake	\$ 3,096,820	3,062,001	34,819
UH - Downtown	\$ 2,114,398	2,039,427	74,971
UH - Victoria	\$ 249,900	233,903	15,997
Total Reductions in Capital Assets	<u>\$ 9,033,039</u>	<u>7,830,105</u>	<u>1,202,934</u>

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE: Finance and Administration

ITEM: Approval is requested to delegate authority to the Chancellor to negotiate and execute insurance policy renewals for Fiscal Year 2011.

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

Approval is requested to delegate authority to the Chancellor to negotiate and execute insurance policy renewals for Fiscal Year 2011.

Most of UHS insurance policies renew March 1 or April 30, 2011. The current annualized insurance expense is under \$4.3 million. We expect insurance renewal rates to increase modestly due to various aspects of the University's growth. Policy quotations have not been received thus the exact insurance premium is unknown at this time. Therefore we are asking for a Delegation of Authority to the Chancellor to negotiate insurance coverage terms and purchase insurance policies in an amount not to exceed \$5 million for FY11.

SUPPORTING DOCUMENTATION: Insurance Renewal Status Report

FISCAL NOTE: Estimated annual premiums not to exceed \$5,000, 000.

RECOMMENDATION/ACTION REQUESTED: Administration recommends approval of this item

COMPONENT: University of Houston System



EXECUTIVE VICE CHANCELLOR Carl Carlucci

2/1/2011

DATE



CHANCELLOR Renu Khator

2/5/11

DATE

2011 Insurance Renewal Status Report

Current and Projected Insurance Premiums:

The University of Houston System's insurance program for Fiscal Year 2010 consisted of 22 policies with an aggregate annual cost of \$4.3 million. The following is a summary of current and projected premiums by policy type and component.

Policy Type:

Policy Type	Premium FY09	Premium FY10	Estimated Annual Premium FY11
Property & Boiler/Machinery	\$2,940,724	\$2,872,222	\$3,160,000
NCAA Medical Accident	\$536,460	\$561,460	\$610,330
Directors & Officers / Employment Practices Liability	\$206,000	\$203,870	\$215,000
Medical Malpractice	\$107,032	\$115,401	\$125,000
Automobile	\$115,977	\$76,151	\$85,000
All Others (15-17 Policies) and Broker Fees	\$448,376	\$411,428	\$344,670
Total	\$4,354,569	\$4,240,532	\$4,540,000

Component:

Component	Premium FY09	Premium FY10	Estimated Annual Premium FY11
UH System	\$83,334	\$80,653	\$88,718
UH	\$3,573,424	\$3,440,728	\$3,660,217
UH – Downtown	\$285,981	\$285,361	\$313,897
UH – Clear Lake	\$325,451	\$336,227	\$369,849
UH Victoria	\$87,379	\$97,563	\$107,319
Total	\$4,354,569	\$4,240,532	\$4,540,000

Renewal Process:

The State Office of Risk Management (SORM) administers the Property, Directors and Officers/Employment Practices/Educators Legal, and Automobile insurance programs. Willis of Texas brokers most of the other insurance policies. We should receive quotes for most of the policies in mid February with renewals March 1, 2011 and the property quotes will be received in early April with a renewal of April 30, 2011.

Marketing Projections:

Most insurance policies are expected to renew with modest premium increases. The changes are expected due to the addition of new buildings (property insurance), other aspects of the University System's growth and recent claims.

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE: Finance and Administration

ITEM: Re-approval of Construction of Classroom and Business Building at the University of Houston and to delegate authority to the Chancellor to negotiate and execute contracts up to \$41,000,000.

DATE PREVIOUSLY SUBMITTED: August 2009

SUMMARY:

Re-approval is requested for the construction of Classroom and Business Building at the University of Houston, to raise the project budget from \$31,000,000 to \$41,000,000 and to delegate authority to the Chancellor to negotiate and execute contracts up to \$41,000,000 associated with construction of this facility.

The current favorable bidding climate resulted in bids significantly below budget. This allowed the University to add an additional floor of shell space to the building within the approved project budget. It will also allow the University to build out the three floors of shell space at significantly less than originally estimated.

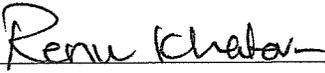
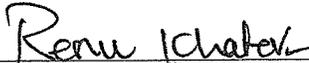
The building size would increase from 112,723 GSF to 146,940 GSF.

SUPPORTING DOCUMENTATION: Classroom and Business Building Project Budget, Schedule and Site Map

FISCAL NOTE: \$41,000,000

RECOMMENDATION/ACTION REQUESTED: Administration recommends approval of this item

COMPONENT: University of Houston

PRESIDENT		DATE
	Renu Khator	2/2/11
EXECUTIVE VICE CHANCELLOR		DATE
	Carl Carlucci	2/1/2011
CHANCELLOR		DATE
	Renu Khator	2/2/11

**University of Houston
UH Classroom and Business Building
Supporting Information**

PROPOSED BUDGET

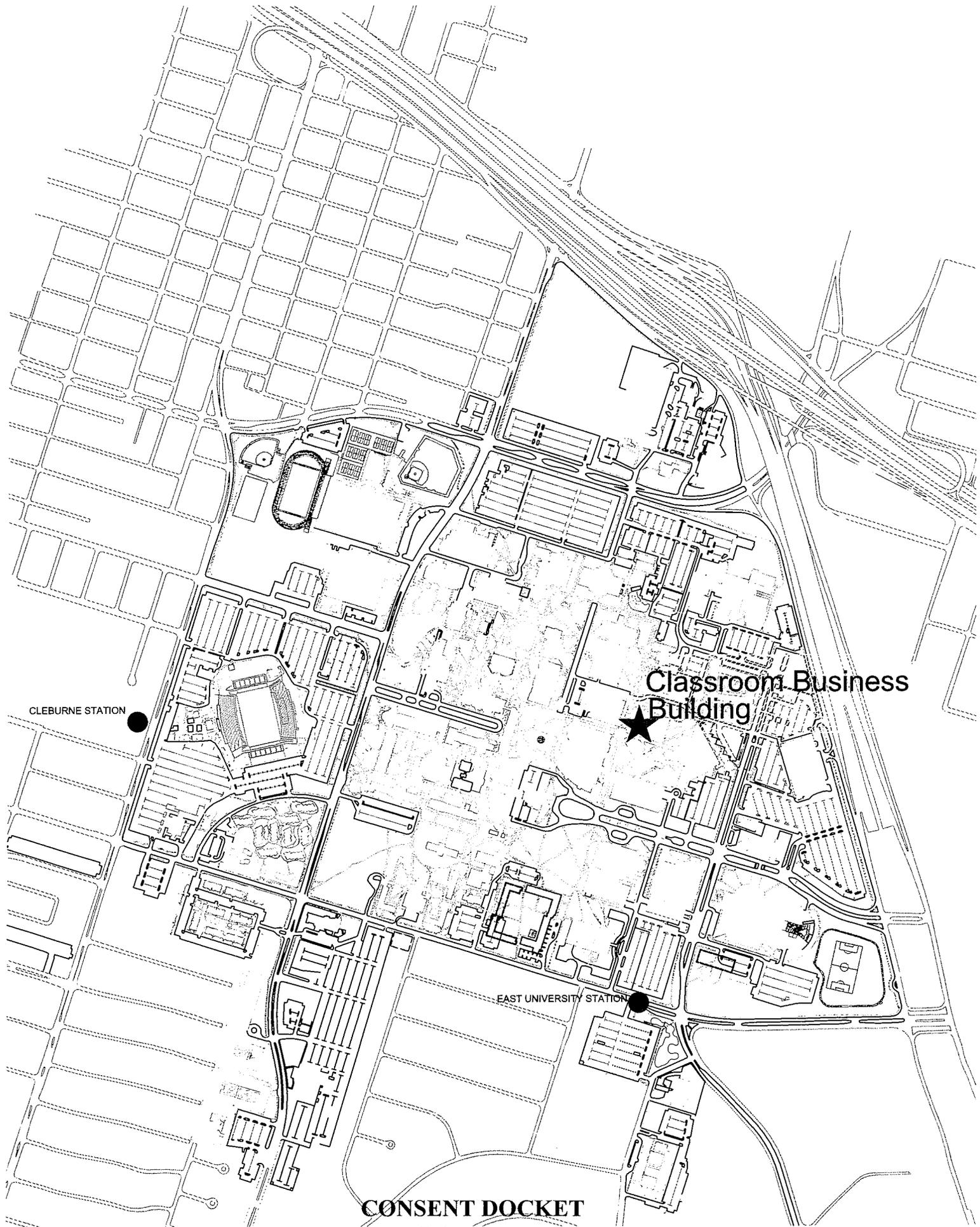
Building Cost (New Construction)	\$26,796,000
Fixed Equipment	\$1,500,000
Site Development	\$796,000
Furniture & Moveable Equipment	\$3,000,000
Construction Services	\$64,000
Architectural/Design Services	\$2,128,000
Project Management(System)	\$1,282,000
Other Professional Fees	\$1,653,000
Administrative Costs	\$235,000
Demolition	\$65,000
Contingency	\$3,170,000
Other Costs	\$311,000
Total Project Costs	\$41,000,000

PROPOSED SCHEDULE

Initial BOR Review & Approval	August 2009
Initial THECB Approval	December 2009
BOR Reapproval	February 2011
THECB Reapproval	March 2011
Construction Start	February 2011
Construction Completion Date	August 2012

FUNDING SOURCES

	ORIGINAL APPROVAL	BUDGET CHANGE	CURRENT BUDGET
HEAF	\$5,000,000	(\$440,000)	\$4,560,000
Designated Tuition and Fees (Bonds)	\$25,000,000	\$1,000,000	\$26,000,000
Designated Tuition and Fees (Cash)	\$0	\$2,691,000	\$2,691,000
Gifts/Donations	\$1,000,000	\$6,749,000	\$7,749,000
TOTAL	\$31,000,000	\$10,000,000	\$41,000,000



CLEBURNE STATION

Classroom Business
★ Building

EAST UNIVERSITY STATION

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE: Finance and Administration

ITEM: Re-approval of Construction of Cemo Hall at the University of Houston and to delegate authority to the Chancellor to negotiate and execute contracts up to \$10,599,000.

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

Re-approval is requested for the construction of Cemo Hall at the University of Houston, to raise the project budget from \$8,987,000 to \$10,599,000 and to delegate authority to the Chancellor to negotiate and execute contracts up to \$10,599,000 associated with construction of this facility.

This budget increase is as a result of:

1. related site work, project utilities and new utility tunnel funded from HEAF funds
2. the additional costs associated with the water infiltration remediation
3. additional costs associated with the redesign and construction of the Testing Center

The testing center was reprogrammed and redesigned to work in conjunction with the new Classroom and Business Building which was approved and programmed after the initial Cemo Hall approval.

SUPPORTING DOCUMENTATION: Cemo Hall Project Budget, Schedule and Site Map

FISCAL NOTE: \$10,599,000

RECOMMENDATION/ACTION REQUESTED: Administration recommends approval of this item

COMPONENT: University of Houston

PRESIDENT	<u>Renu Khator</u> Renu Khator	<u>2/2/11</u> DATE
EXECUTIVE VICE CHANCELLOR	<u>Carl Carlucci</u> Carl Carlucci	<u>2/1/2011</u> DATE
CHANCELLOR	<u>Renu Khator</u> Renu Khator	<u>2/2/11</u> DATE

**University of Houston
UH CEMO Hall
Supporting Information**

PROPOSED BUDGET

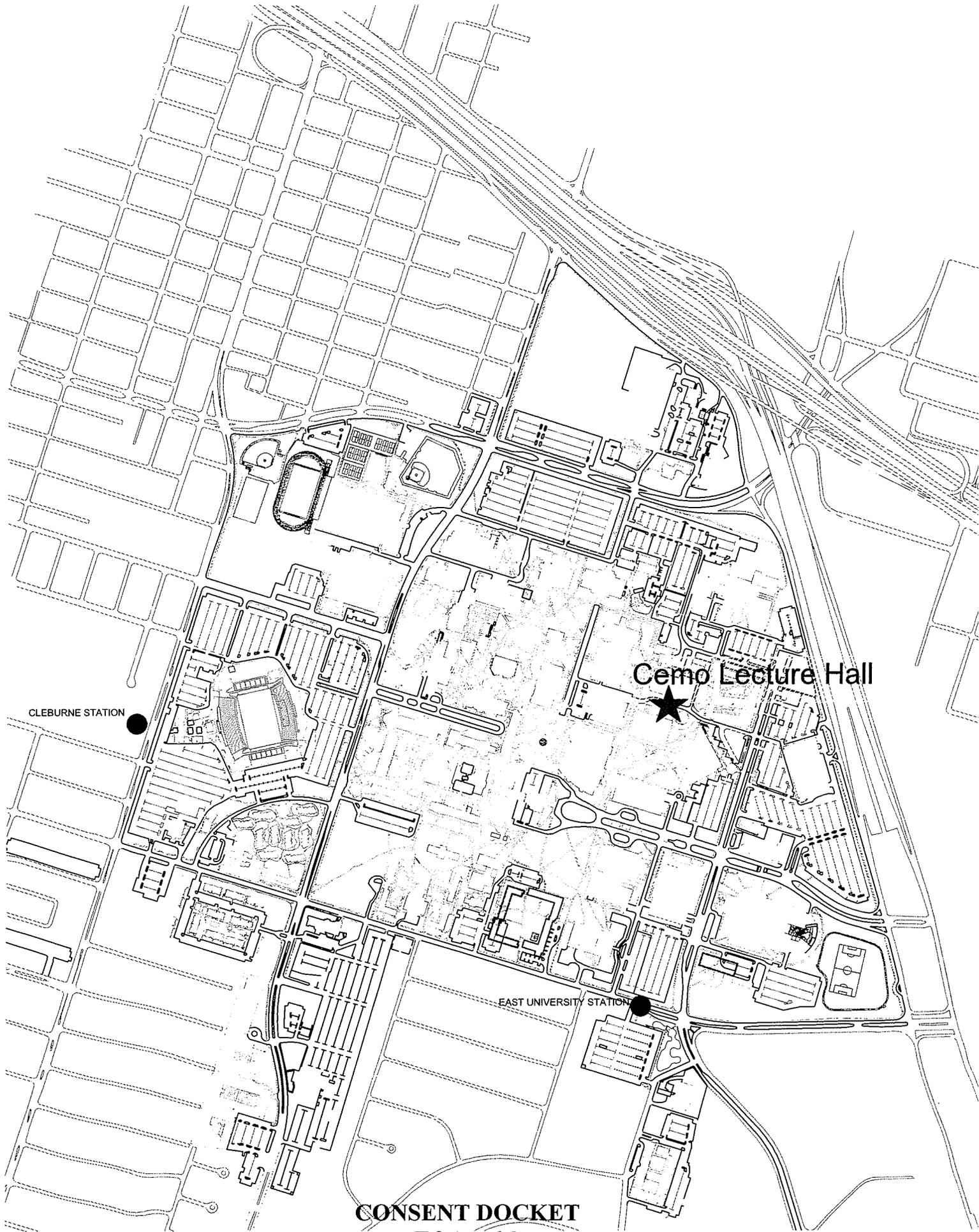
Building Cost (New Construction)	\$7,295,000
Fixed Equipment	\$758,000
Site Development	\$379,000
Furniture & Moveable Equipment	\$375,000
Construction Services	\$56,000
Architectural/Design Services	\$1,076,000
Project Management(System)	\$267,000
Other Professional Fees	\$193,000
Administrative Costs	\$2,000
Contingency	\$128,000
Other Costs	\$70,000
Total Project Costs	\$10,599,000

PROPOSED SCHEDULE

Initial BOR Review & Approval	May 2007
Initial THECB Approval	June 2007
BOR Reapproval	January 2011
THECB Reapproval	March 2011
Construction Start	March 2009
Construction Completion Date	June 2011

FUNDING SOURCES

	ORIGINAL APPROVAL	BUDGET INCREASE	CURRENT BUDGET
HEAF	\$2,500,000	\$1,418,800	\$3,918,800
GIFTS/DONATIONS	\$6,487,800	\$34,200	\$6,522,000
DESIGNATED TUITION	\$0	\$8,200	\$8,200
REVENUE BONDS	\$0	\$150,000	\$150,000
TOTAL	\$8,987,800	\$1,611,200	\$10,599,000



CLEBURNE STATION ●

Cemo Lecture Hall ★

EAST UNIVERSITY STATION ●

CONSENT DOCKET
F&A - 6.3

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE: Audit & Compliance

ITEM: Review and Approval of Audit Report and Financial Statements, University of Houston Charter School, FY 2010

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

Approval is requested for the Audit Report and Financial Statements of the University of Houston Charter School for Fiscal Year 2010. Certification of the audit and financial information by the Board is required by the Texas Education Code, Title 2, Chapter 44, Section 44.008(d).

The key points of the report include the following:

- Report on Internal Control over Financial Reporting (page 1)
- Annual Financial Report (page 3)
- Letter of Transmittal (page 8)
- Financial Section (page 13)
- Management's Discussion and Analysis (page 16)
- Basic Financial Statements (page 26)
- Notes to Basic Financial Statements (page 31)
- Supplementary Information (page 40)

SUPPORTING

DOCUMENTATION: Audit Report and Financial Statements of the UH Charter School for FY 2010

FISCAL NOTE:

**RECOMMENDATION/
ACTION REQUESTED:** Administration recommends approval of this item

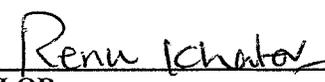
COMPONENT: University of Houston System



CHIEF AUDIT EXECUTIVE Don Guyton

1/28/11

DATE



CHANCELLOR Renu Khator

2/2/11

DATE



KPMG LLP
700 Louisiana Street
Houston, TX 77002

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing
Standards***

The Board of Regents
University of Houston Charter School:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the University of Houston Charter School (Charter School) as of and for the year ended August 31, 2010, which collectively comprise the Charter School's basic financial statements and have issued our report thereon dated December 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Charter School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

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the U.S. member firm of KPMG International Cooperative
("KPMG International"), a Swiss entity.



The Board of Regents
December 7, 2010
Page 2

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Regents, others within the entity, and the Texas Education Agency, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 7, 2010



UNIVERSITY OF HOUSTON CHARTER SCHOOL

Annual Financial Report

August 31, 2010

(With Independent Auditors' Report Thereon)

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Annual Financial Report

August 31, 2010

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UNIVERSITY OF HOUSTON CHARTER SCHOOL

Annual Financial Report

August 31, 2010

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INTRODUCTORY SECTION

UNIVERSITY OF HOUSTON CHARTER SCHOOL
Certificate of Board

Pending approval from the University of Houston Board of Regents

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Letter of Transmittal

Introduction

Our discussion and analysis of the financial position of the University of Houston Charter School (the Charter School or UHCS) provides an overview of the activities for the fiscal years ended August 31, 2010 and 2009. The Management's Discussion and Analysis (MD&A) is intended to offer a summary of significant current year activities, resulting changes, and currently known economic conditions and facts. The MD&A analysis should be read in conjunction with the transmittal letter, the basic financial statements, and the notes to the basic financial statements, which follow this section.

Charter School Profile

In 1996, the Texas State Board of Education (SBOE) granted a five-year charter to operate a public school to the University of Houston, one of the nineteen first generation Texas charter schools. The SBOE then granted a ten-year charter under which UHCS is currently operating. The University of Houston (UH) Board of Regents is the governing body of UHCS. The school initially enrolled students on a first-come, first-served basis. In 1999, the Texas Education Agency (TEA) lawyers required UHCS to enroll students in a lottery system since the school was oversubscribed. The Charter School serves students and families from the greater Houston area. The Charter School opened on January 27, 1997 with one kindergarten/first grade class and three employees. Today, 135 students are enrolled in six classes from kindergarten through fifth grade. Parents of 40% of the currently enrolled children are either UH employees or students. The school is housed in 14,000 square feet of the first floor of Melcher Gymnasium.

All Charter School faculty are UH employees. All teachers meet the highly qualified standards for the "No Child Left Behind" (NCLB) program. The Charter School provides English as a Second Language (ESL), Special Education, and, for qualifying students, breakfast and hot lunches are provided through the National School Lunch Program. After-school and summer tutoring are provided with Title I funds. Teacher literacy and math coaching is provided from Title II and TEA funding.

The setting of a university campus provides a rich experience and base for a school. An intellectual experience, grounds the school. The University of Houston (the University) supports the school with a physical location, including a playground, utilities, and custodial care. UHCS supports the university in research collaborations, university students development, and practice in a model educational program and programs from athletics to public relations. The school curriculum includes specific classes in art, music, and physical education. Discovery Camp is held each Friday and third, fourth, and fifth graders choose from a variety of classes: Middle Eastern Dance, Gardening, Cooking, Science Club, Sewing, Art Club, Guitar, and Archery. The school participates in the Texas Archery in the Schools Program. For the fifth year, a UHCS archery team has competed in the State Archery in the Schools event.

For the third year, the Charter School managed Camp Construct, the before- and after-school care program.

Planning Panel meetings three times a year provide opportunities for faculty and parents to make decisions and work to improve the program. Parents participate on all of the 15 school committees. Parent Surveys are collected and analyzed.

The Charter School was again assigned the TEA "Exemplary Rating" for the 2009-2010 school year, which reflects the students' performance on the Texas Assessment of Knowledge and Skills (TAKS). 100% of UHCS fourth graders passed the Writing TAKS.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Letter of Transmittal

90%, with TPM 97%, of all third through fifth graders met passing standards for reading. 85%, 95% with TPM, of all third through fifth graders met passing math standards. 81%, 94% with TPM, met passing science standards.

Organization Philosophy

Vision Statement The Charter School is a recognized model constructivist school that empowers children, parents, and faculty in the global community to fulfill their potential through autonomy, wonder, and discovery.

Motto Challenging children to construct knowledge and community.

The ideology of the Charter School outlines the ideals and beliefs held by their employees. The Charter School strives to strengthen the social and economic foundation of Houston by offering its youth the highest quality of elementary education.

Thirteen teachers (seven lead and six assistant) lead classes using constructivist practices with an emphasis on technology and lesson plans designed to support children's natural curiosity. Additional classes include Physical Education, Art, and Music. Teachers tailor classroom experiences to the needs and interest of each year's students. Reasoning, autonomy, and community are promoted throughout each child's day and life at the Charter School.

The management and staff of the Charter School endorse and support the Charter School's Mission Statement – to provide a student-centered curriculum that enhances the intellectual development, technological fluency, and leadership ability of students. The knowledge gained by the students will allow them to transfer into the sixth grade at other schools and will give them strategic advantages. The positive results that have been achieved have resulted in a continuing high demand for admission into the program, as reflected by a consistent number of applications for enrollment.

Economic Condition and Outlook

Through the use of effective and judicious financial budgeting and management, and the University of Houston's contribution of facilities and other indirect services, the Charter School has been able to satisfy current year expenses with available resources. As previously discussed, the Charter School has no liability obligations other than typical business associated payables, primarily payroll related. The Charter School maintains a healthy current ratio (proportion of current assets to current liabilities) of 1.98 and 4.17 for 2010 and 2009 fiscal years, respectively. An unrestricted equity ratio (percentage of assets provided by the entity) of 195%, likewise, is indicative of a solid financial position. The Total Resources per Student Ratio (Current Fund balance divided by the Total number of Fulltime students) is \$940, \$2,448, and \$2,521 for 2010, 2009, and 2008 fiscal years, respectively.

Since the financial operations of the Charter School are considered a governmental organization, the potential for unilateral dissolution by the University of Houston is one of the factors that need to be considered. The two primary financial supporters of the Charter School's operations, the Texas Education Agency and the University of Houston, have demonstrated endorsement of the Charter School's financial and management policies through their continued financial support and commitments in the prior years.

The job growth in the Houston area during the 2009-2010 fiscal years has declined slightly in relation to prior years, but there is projected growth in the energy and professional services sectors. The Charter School wants to

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Letter of Transmittal

become more proactive in blending their elementary program with their after school program and activities in this diverse community.

Management of neither the Charter School nor the University are aware of any known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during the 2010 to 2011 fiscal years. Although it is not possible to predict ultimate results, management believes the Charter School's financial condition and position are strong. As a result of the strength and commitment of its faculty, students and parents, the Charter School has positioned itself well to respond to future opportunities and challenges of leadership in constructivist professional development and research.

Accounting Systems and Annual Budgets

The necessity of legal compliance with applicable laws and regulations related to the state and federal grants requires developing and improving the accounting system and consideration is given to the adequacy of the internal control structure.

The Charter School Planning Panel provides need assessments and prioritizes efforts for the upcoming year. An annual budget is developed for its general fund and each of its separate governmental funds. University policy requires budgeted expenditures to be no more than budgeted revenue. During the course of the fiscal year, the actual to budget amounts are reviewed and modified or adjusted as needed.

Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

The General Fund budget is adopted annually on a basis consistent with the budgetary basis of accounting. Budgetary requests are submitted so that a budget may be prepared. The budget is presented to the TEA and a final budget must be prepared and adopted no later than January of the following year.

Major Initiatives and Accomplishments

The undertaking of facility renovation required major resource allocations in FY 2010. An adult restroom and classroom closet were reconfigured into two adult restrooms and the student restrooms were improved. The flooring and baseboard were removed and replaced and all walls were painted. The counters in the food serving area were replaced. The project will continue into 2011 with the entry and installation of the hand-washing sink.

Another improvement occurred in the Camp Construct program. Planning time and personnel allocation resulted in a more quality experience for the children and families.

Planned activities included art, field trips to a play, bowling and the zoo, which increased student learning. Parent services were introduced: Parent Holiday Shopping Night, Family Holiday Dinner. A real effort was made to improve the nutrition of the daily snacks.

The RSCCC student accounting system was purchased and implemented. The prior program though widely used and a major product was retired. When instituting a new system, there is a start-up financial component.

Association for Constructivist Teaching – Dr. Carolyn Black continues to serve on the Board of ACT and participated in the first international ACT conference in Monterey, Mexico.

The technological focus of the school continued with the purchase of an I Touch per class and the Developmental Reading Assessment 2.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

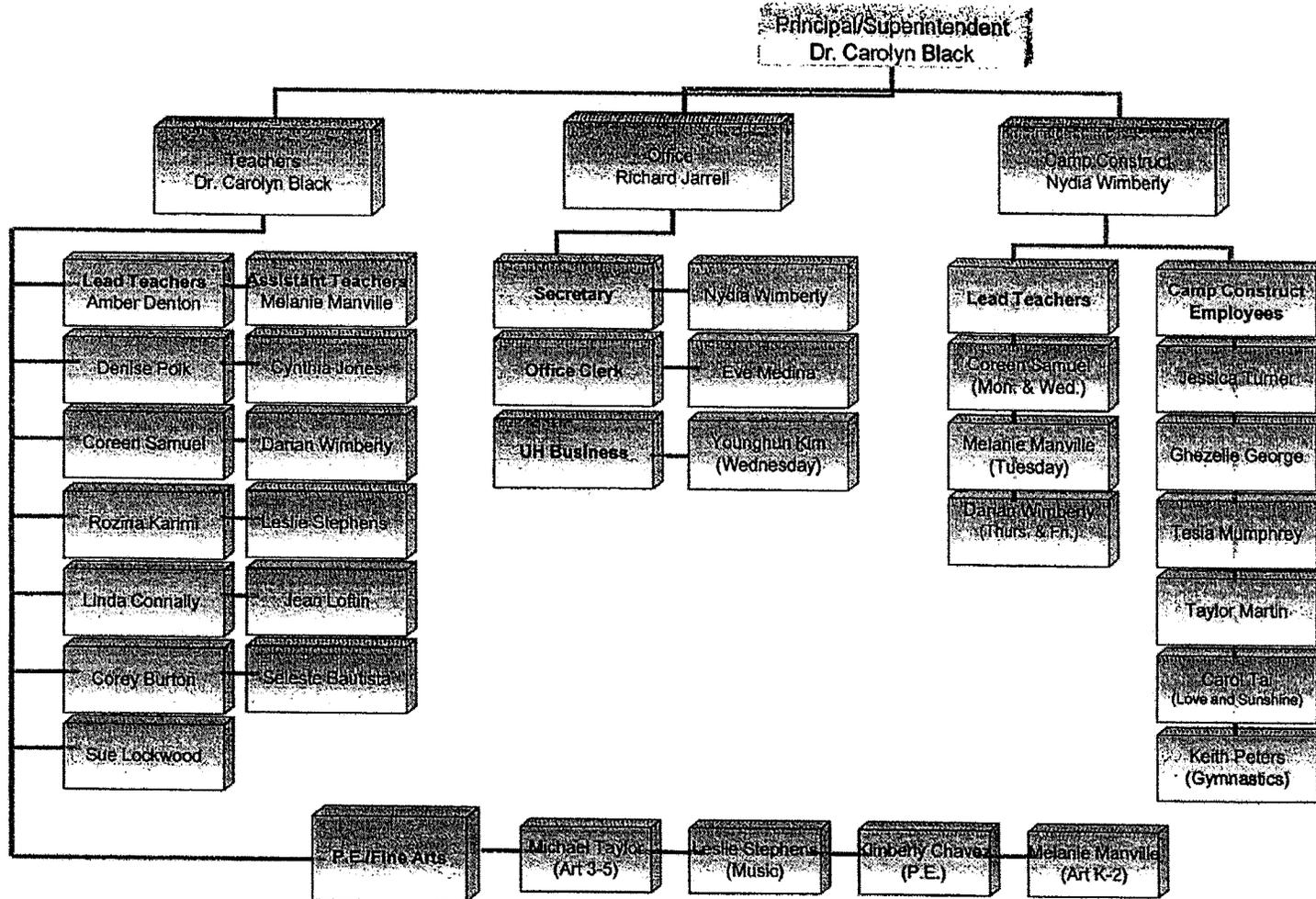
Letter of Transmittal

Contacting the Charter School's Financial Management

This financial report is designed to provide a general overview of the Charter School's financial position and to demonstrate the Charter School's accountability for the funds it receives. Any questions regarding this report or requests for additional financial information should be directed to the Office of the Executive Vice President for Administration and Finance, University of Houston, Houston, TX 77204-2016.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

University of Houston Charter School 2009-2010



FINANCIAL SECTION



KPMG LLP
700 Louisiana Street
Houston, TX 77002

Independent Auditors' Report

The Board of Regents
University of Houston Charter School:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the University of Houston Charter School (Charter School), a department of the University of Houston System, as of and for the year ended August 31, 2010, which collectively comprise the Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in note 1, the financial statements of the Charter School are intended to present the financial position, and the changes in financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the University of Houston System that is attributable to the transactions of the Charter School. They do not purport to, and do not, present fairly the financial position of the University of Houston System as of August 31, 2010, the changes in its financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the University of Houston Charter School as of August 31, 2010, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

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("KPMG International"), a Swiss entity.

CONSENT DOCKET
AUDIT – 1.15

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2010, on our consideration of the Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Schedule – General Fund listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit the required supplementary information, and accordingly, we express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The Introductory Section, Other Supplementary Information Section and Statistical Section are presented for purposes of additional analysis and are not required as part of the financial statements. The Budgetary Comparison Schedule required by the Texas Education Agency – Child Nutrition and Schedule of Expenses have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole. The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

KPMG LLP

December 7, 2010

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Management's Discussion and Analysis

August 31, 2010

Introduction

Our discussion and analysis of the financial position of the University of Houston Charter School (the Charter School) provides an overview of the activities for the fiscal years ended August 31, 2010 and 2009. This Management's Discussion and Analysis is unaudited and is intended to offer a summary of significant current year activities, resulting changes, and currently known economic conditions and facts.

Overview of the Financial Statements

The Charter School herewith presents its basic financial statements for fiscal year 2010. The basic financial statements have been prepared in accordance with the standards of the Governmental Accounting Standards Board, which establishes generally accepted accounting principles for state and local governments. The Charter School's basic financial statements comprise three components: 1) governmentwide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The governmentwide financial statements presented are the Statement of Net Assets and the Statement of Activities. The notes to the basic financial statements provide additional information and disclosures that are essential to a complete understanding of the data provided in the government-wide and fund financial statements. The information contained in the basic financial statements of the Charter School is incorporated within the University of Houston System's Annual Financial Report.

Statement of Net Assets

The Statement of Net Assets reflects all the Charter School's assets and liabilities using the full accrual basis of accounting and represents the financial position as of the conclusion of the fiscal year. Governmentwide financial statements use the economic resources measurement focus and the accrual basis of accounting. Net assets are equal to assets minus liabilities. Unrestricted net assets are available to the Charter School for any lawful purpose. Unrestricted net assets often have constraints on resources, which are imposed by management, but can be removed or modified. Restricted net assets represent net assets that can be utilized only in accordance with third-party-imposed restrictions.

	<u>2010</u>	<u>2009</u>	<u>Change</u>
Statement of net assets information:			
Assets:			
Current assets	\$ 256,136	431,555	(175,419)
Total assets	<u>\$ 256,136</u>	<u>431,555</u>	
Liabilities:			
Current liabilities	\$ 129,224	103,386	25,838
	<u>129,224</u>	<u>103,386</u>	
Net assets:			
Restricted for various programs	127,628	132,145	(4,517)
Unrestricted	<u>(716)</u>	<u>196,024</u>	(196,740)
Total net assets	<u>126,912</u>	<u>328,169</u>	
Total liabilities and net assets	<u>\$ 256,136</u>	<u>431,555</u>	

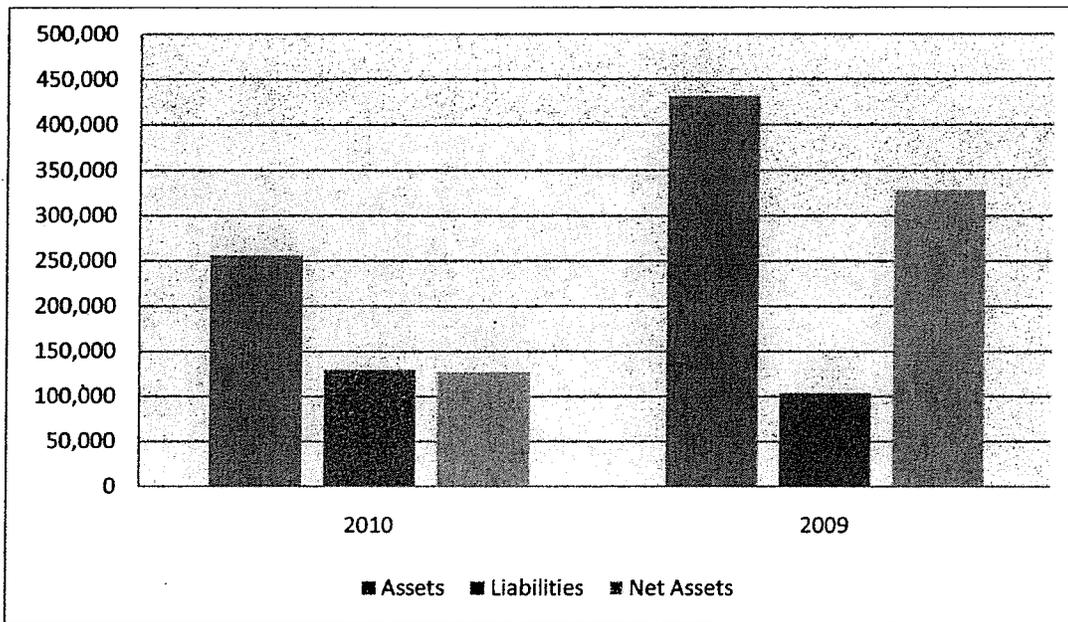
UNIVERSITY OF HOUSTON CHARTER SCHOOL

Management's Discussion and Analysis

August 31, 2010

Net Assets 2010-2009

Statement of Net Assets Information



Fiscal Year 2010 Compared to 2009

Cash is almost 99% of the current assets held by the Charter School. Current assets decreased by \$175,419 or 41%. Liabilities increased \$25,838 or 25%. The ending net assets for restricted state and federal programs were decreased by \$4,517. Unrestricted net assets decreased by \$196,740.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Management's Discussion and Analysis

August 31, 2010

Statement of Activities

The statement of activities identifies all of the Charter School's revenues and expenses and measures the results of the Charter School's operations during the fiscal year. All revenues and expenses are included, regardless of when cash is received or paid. Revenues are separated into those provided by external entities, which share the costs of certain programs, and those revenues provided as general revenues. Any revenues or expenses resulting from other than operations would also be displayed on this statement.

	<u>2010</u>	<u>2009</u>	<u>Change</u>
Statements of activities information:			
Revenues:			
Program revenues:			
Charges for services	\$ 124,496	141,359	(16,863)
Operating grants and contributions	42,426	54,451	(12,025)
General revenue	<u>1,101,747</u>	<u>1,026,277</u>	75,470
Total revenues	<u>1,268,669</u>	<u>1,222,087</u>	
Program expenses:			
Instruction	764,564	764,367	197
Instructional resources and media services	790	—	790
Curriculum/instructional staff development	17,039	17,138	(99)
School leadership	159,985	180,898	(20,913)
Guidance/counseling and evaluation	19,889	16,884	3,005
Student (pupil) transportation	610	—	610
Food services	30,491	31,243	(752)
General administration	155,750	109,161	46,589
Plant maintenance and operations	206,658	2,043	204,615
Community services	113,968	102,404	11,564
Fund raising	182	—	182
Total program expenses	<u>1,469,926</u>	<u>1,224,138</u>	
Change in net assets	(201,257)	(2,051)	
Net assets, beginning of year	<u>328,169</u>	<u>330,220</u>	
Net assets, end of year	<u>\$ 126,912</u>	<u>328,169</u>	

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Management's Discussion and Analysis

August 31, 2010

Fiscal Year 2010 Compared to 2009

The decrease in school leadership expenses was due approximately because payroll expenses for the Charter School Principal for the amount of \$13,146 were moved to the General Administration category during FY10 and some payroll expenses for the School Secretary were moved from school leadership to community services (\$14,441) as a result in changes to the roles of these professionals in FY 2010.

The increase in general administration expenses was primarily related to the following reasons:

- Purchase of the student software license during FY10 (\$11,775)
- Administrator position vacancy for three months in FY 2009 which was filled for the entire year in FY 2010 (\$24,375)

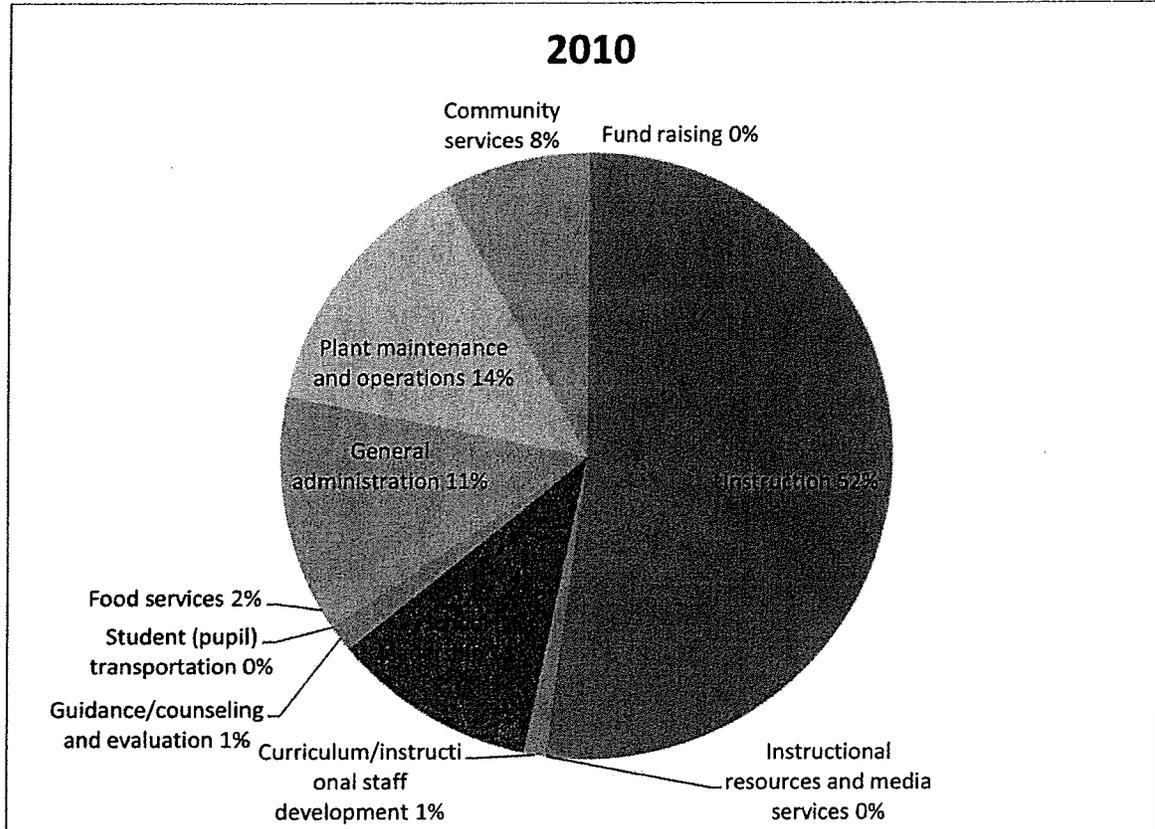
The increase on plant maintenance and operations expenses was due to the renovation and painting of the Charter School facilities during the FY10 summer season. The total cost of the overhaul operation was \$186,677. The Charter School does not hold title to the building; thus, all expenditures, including these that would have been capitalized if the Charter School held title to the building, were expensed.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Management's Discussion and Analysis

August 31, 2010

2010 Expenses

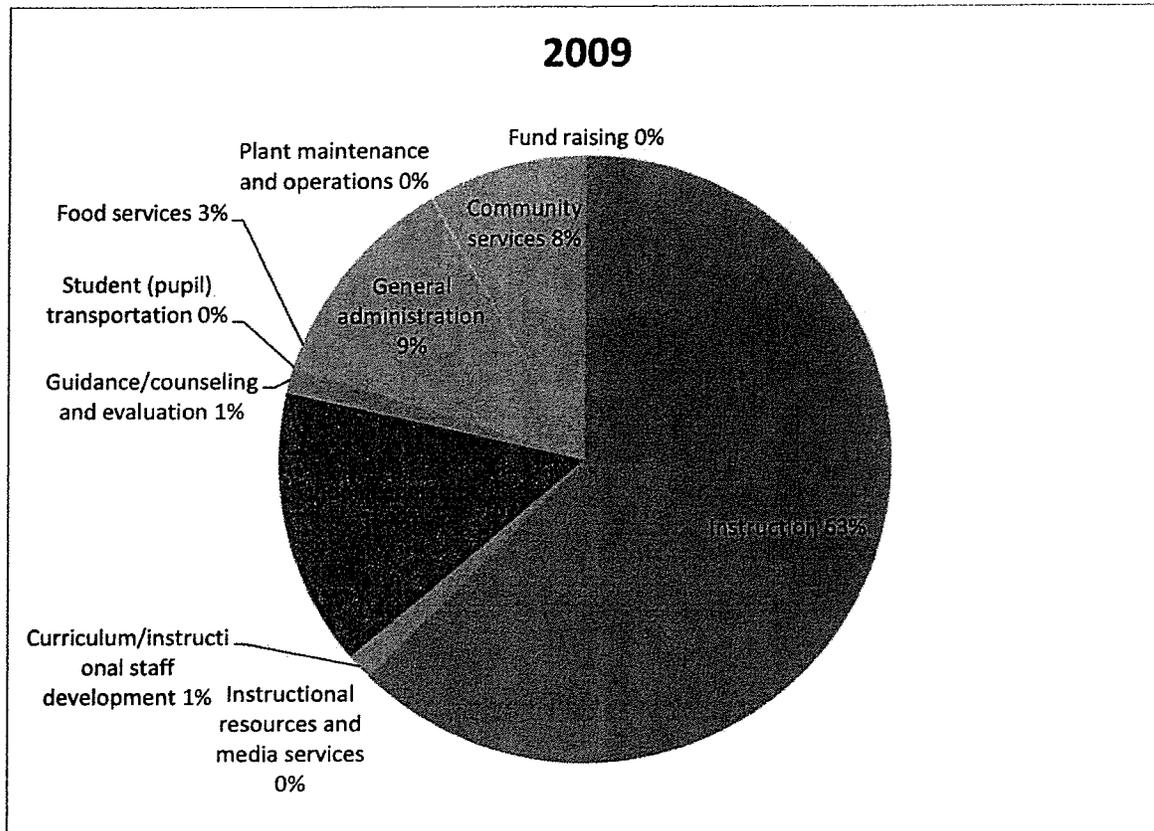


UNIVERSITY OF HOUSTON CHARTER SCHOOL

Management's Discussion and Analysis

August 31, 2010

2009 Expenses



The 2010 revenues include sources that are primarily used to provide services to the Charter School's students and are as follows:

	<u>2010</u>	<u>2009</u>	<u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 124,496	141,359	(16,863)
Operating grants and contributions	42,426	54,451	(12,025)
Total program revenues	<u>166,922</u>	<u>195,810</u>	<u>(28,888)</u>
General revenues	<u>1,101,747</u>	<u>1,026,277</u>	<u>75,470</u>
Total general revenues	<u>1,101,747</u>	<u>1,026,277</u>	<u>75,470</u>
Total revenues	<u>\$ 1,268,669</u>	<u>1,222,087</u>	<u>46,582</u>

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Management's Discussion and Analysis

August 31, 2010

Fiscal Year 2010 Compared to 2009

Program revenue for 2010 decreased by \$28,888 since the summer school program was not held because of the renovation of the Charter School facilities.

Nonrestricted grants and contributions, mostly comprising state charter school funding, increased by \$75,470 or 7% and are primarily the result of an increase in the Foundation State Program by \$96,523, offset by the decrease in local sources grants and contributions of \$21,053.

Program expenses are the costs necessary to provide services and to fulfill the mission of the Charter School. Program expenses are displayed in the statement using the functional method of classification and are as follows:

	<u>2010</u>	<u>2009</u>	<u>Change</u>
Program expenses:			
Instruction	\$ 764,564	764,367	197
Instructional resources and media services	790	—	790
Curriculum/instructional staff development	17,039	17,138	(99)
School leadership	159,985	180,898	(20,913)
Guidance/counseling and evaluation	19,889	16,884	3,005
Student (pupil) transportation	610	—	610
Food services	30,491	31,243	(752)
General administration	155,750	109,161	46,589
Plant maintenance and operations	206,658	2,043	204,615
Community services	113,968	102,404	11,564
Fund-raising	182	—	182
Total program expenses	<u>\$ 1,469,926</u>	<u>1,224,138</u>	

The majority of the Charter School's revenue is expended for instructional purposes, which includes teacher and support personnel salaries.

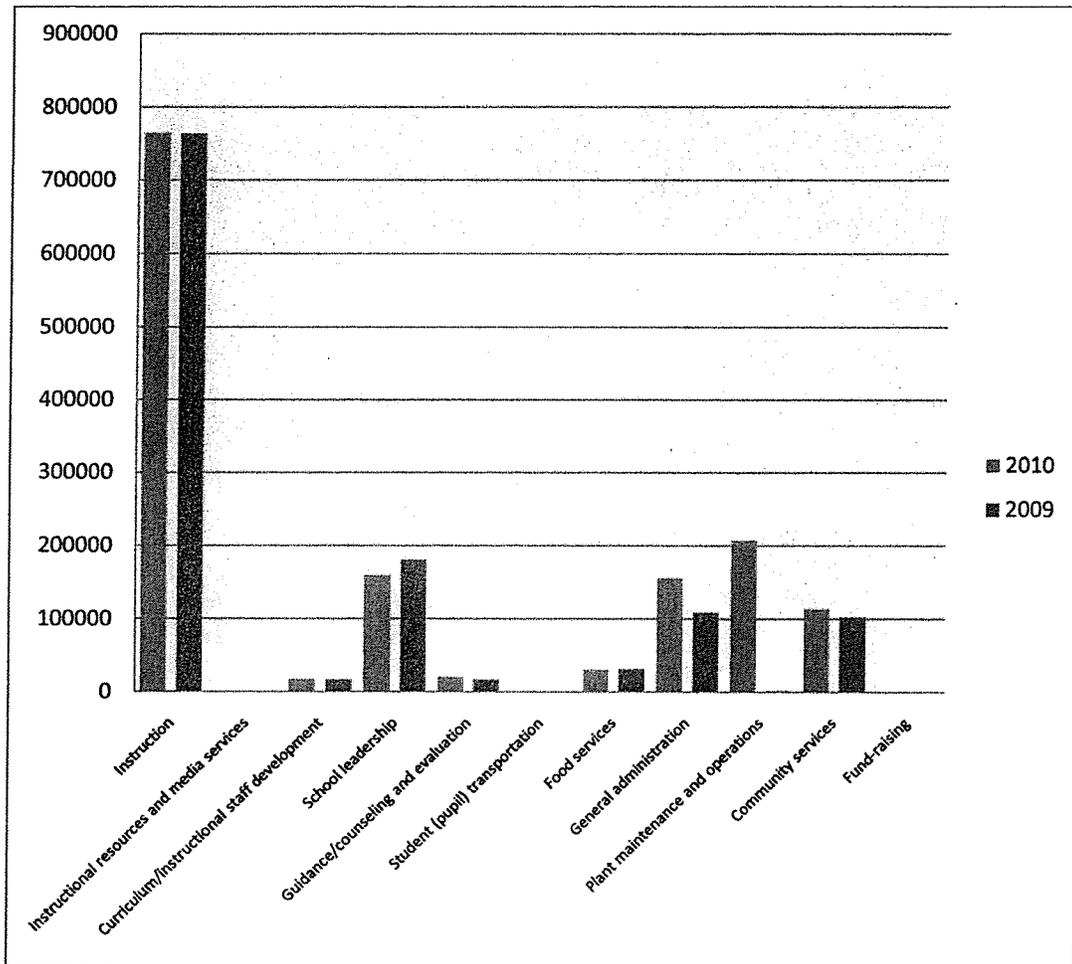
UNIVERSITY OF HOUSTON CHARTER SCHOOL

Management's Discussion and Analysis

August 31, 2010

Operating Expenses 2010-2009

Operating Expenses



Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives or programs. Contracts and state law require the establishment of some funds. Other funds are created by the Charter School's management to control and manage expenditures for particular purposes. The only category of funds used by the Charter School is governmental funds.

The governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as displaying balances of spendable resources available at the end of the fiscal year. These financial statements use the current financial resources measurement focus and the modified accrual basis of accounting.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Management's Discussion and Analysis

August 31, 2010

Because these statements provide a detailed short-term perspective of the Charter School's general operations, they may be useful in evaluating a school's near-term financing requirements. Any differences between the broader long-term focus of the governmentwide financial statements (as reported in the statement of net assets and the statement of activities) and the fund financial statements will be displayed in a reconciliation following the end of the governmental fund financial statements.

General Fund – This is the Charter School's primary operating fund. It accounts for all financial resources of the Charter School except those required to be accounted for in another fund. The major revenue source for the General Fund is the state funding under the Foundation School Program. Expenditures include all costs associated with the daily operations of the Charter School except for specific programs funded by the federal or state government, which are required to be accounted for in another fund. The General Fund revenues were \$976,922 and \$885,416 for the years ended August 31, 2010 and 2009, respectively.

The General Fund has a budget that is approved by the Board of Regents. The General Fund received \$1,658 in additional revenue from the final budgeted amount and incurred additional expenses of \$64,665 from the final budgeted amount.

UH Central Allocation – The source of this revenue is an allocation from the University of Houston System Administration General Funds to provide support to the Charter School. These funds are used at the discretion of the Charter School to supplement operating needs. The UH Central Allocation was \$106,153 and \$106,153 for the years ended August 31, 2010 and 2009, respectively.

Summer Camp/Camp Construct Programs – The source of this revenue is from tuition payments. Funds originated in the Summer Camp and Camp Construct programs are restricted to these programs. The Summer Camp/Camp Construct revenues were \$104,435 and \$124,327 for the years ended August 31, 2010 and 2009, respectively.

Accounting Systems and Annual Budgets

The necessity of legal compliance with applicable laws and regulations related to the state and federal grants requires developing and improving the accounting system and consideration is given to the adequacy of the internal control structure.

The Charter School Planning Panel provides need assessments and prioritizes efforts for the upcoming year. An annual budget is developed for its general fund and each of its separate governmental funds. University policy requires budgeted expenditures to be no more than budgeted revenue. During the course of the fiscal year, the actual to budget amounts are reviewed and modified or adjusted as needed.

Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Management's Discussion and Analysis

August 31, 2010

Capital Assets

As of the end of the 2010 fiscal year, the Charter School did not possess any reportable capital assets. Such assets would include property, buildings, furniture, and equipment. The University provides building space, a playground area, and parking facilities for use by the Charter School.

Title to capital assets resides with the University, which allocates custody of such assets to the Charter School for its operational needs. Therefore, such assets can be transferred to or from the Charter School at the discretion of the University. Accountability for capital assets is consistent with policies established by the State of Texas. Assets are recorded at cost and are depreciated over the estimated useful life of the asset. Useful life is established by a uniform classification system maintained by the State of Texas and is measured from the date of acquisition. The Charter School capitalizes assets when the acquisition cost exceeds certain threshold values. Funds for the acquisition of any capital assets would be provided from the Charter School's operating revenues.

Noncapital furniture and equipment, including computing equipment, are maintained by the Charter School for its operational needs. Title to these items also resides with the University, which allocates custody to the Charter School. Expenditures for these items are charged to current operating expenses as incurred as they are below the Charter School's capitalization threshold. Funds for the acquisition of such equipment are provided from the Charter School's operating revenues. Additional information regarding the capitalization of assets is in the notes to the financial statements.

Debt Administration

The Charter School does not separately issue long-term debt. The Charter School is not currently engaged in any long-term financing transactions. The operating budget for the Charter School is currently structured such that annual financial obligations are satisfied through operating revenues that are received during each current fiscal year.

Contacting the Charter School's Financial Management

This financial report is designed to provide a general overview of the Charter School's financial position and to demonstrate the Charter School's accountability for the funds it receives. Any questions regarding this report or requests for additional financial information should be directed to the Office of the Executive Vice President for Administration and Finance, University of Houston, Houston, TX 77204-2016.

BASIC FINANCIAL STATEMENTS

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Statement of Net Assets

August 31, 2010

<u>Data control codes</u>			
	Assets:		
1110	Cash	\$	254,497
1290	Other receivables		<u>1,639</u>
1000	Total assets		<u><u>256,136</u></u>
	Liabilities:		
2110	Accounts payable		23,290
2150	Payroll deductions and withholdings		35,294
2160	Accrued wages payable		39,991
2210	Employees' compensable leave (other accrued expenses)		<u>30,649</u>
2000	Total liabilities		129,224
	Net assets:		
3800	Restricted for various programs:		
	Summer camp construct programs		90,976
	Other nonmajor funds		36,652
3900	Unrestricted		<u>(716)</u>
3000	Total net assets	\$	<u><u>126,912</u></u>

See accompanying notes to financial statements.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Statement of Activities
Year ended August 31, 2010

Data control codes	Functions/programs	Expenses	Program revenues		Net revenue (expense) and changes in net assets
			Operating grants and contributions	Charges for services	
					Governmental activities
	Governmental activities:				
11	Instruction	\$ 764,564	(30,204)	—	734,360
12	Instructional resources and media services	790	—	—	790
13	Curriculum and instructional staff development	17,039	—	—	17,039
23	School leadership	159,985	—	—	159,985
31	Guidance counseling, and evaluation services	19,889	—	—	19,889
34	Student (pupil) transportation	610	—	—	610
35	Food services	30,491	(12,222)	(20,061)	(1,792)
41	General administration	155,750	—	—	155,750
51	Plant maintenance and operation	206,658	—	—	206,658
61	Community services	113,968	—	(104,435)	9,533
81	Fund-raising	182	—	—	182
TG	Total governmental activities	\$ 1,469,926	(42,426)	(124,496)	1,303,004
	General revenues:				
GC	Grants and contribution not restricted to specific function				1,101,747
CN	Change in net assets				(201,257)
NB	Net assets, beginning of year				328,169
NE	Net assets, end of year				\$ 126,912

See accompanying notes to financial statements.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Balance Sheet – Governmental Funds

Year ended August 31, 2010

Exhibit C-1

Data control codes		Major funds			Nonmajor funds	Total governmental funds
		General fund	UH allocation	Summer camp/camp construct		
	Assets:					
1110	Cash	\$ 101,573	1,005	109,191	42,728	254,497
1240	Other receivable	—	—	—	1,639	1,639
1000	Total assets	\$ 101,573	1,005	109,191	44,367	256,136
	Liabilities:					
2110	Accounts payable	\$ 5,552	—	13,357	4,381	23,290
2150	Payroll deductions and withholdings	34,228	—	1,066	—	35,294
2160	Accrued wages payable	37,603	—	2,388	—	39,991
2000	Total liabilities	77,383	—	16,811	4,381	98,575
	Fund balances:					
3450	Reserved for Child Nutrition	—	—	—	7,576	7,576
3490	Reserved fund balances:					
	Summer camp/camp construct	—	—	92,380	—	92,380
	Restricted for various programs	—	—	—	29,496	29,496
3600	Unreserved	24,190	1,005	—	2,914	28,109
3000	Total fund balances	24,190	1,005	92,380	39,986	157,561
4000	Total liabilities and fund balance	\$ 101,573	1,005	109,191	44,367	
	Employee compensable leave is not due and payable in the current period and therefore not reported in the funds					(30,649)
	Net assets of Charter School					\$ 126,912
2210	Employees' compensable leave (other accrued expenses)	\$ 28,824	—	1,406	419	30,649

See accompanying notes to financial statements.

UNIVERSITY OF HOUSTON CHARTER SCHOOL
Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds
Year ended August 31, 2010

Data control codes		Major funds			Nonmajor funds	Total governmental funds
		General fund	UH allocation	Summer camp/camp construct		
	Revenues:					
5700	Local and intermediate sources	\$ —	106,153	104,435	38,734	249,322
5800	State program revenues	976,922	—	—	5,180	982,102
5900	Federal program revenues	—	—	—	37,245	37,245
5000	Total revenues	976,922	106,153	104,435	81,159	1,268,669
	Expenditures:					
	Current:					
0011	Instruction	737,411	—	—	24,328	761,739
0012	Instructional resources and media services	790	—	—	—	790
0013	Curriculum and instructional staff development	17,127	—	—	1	17,128
0023	School leadership	143,503	—	—	16,482	159,985
0031	Guidance, counseling, and evaluation services	15,222	—	—	4,965	20,187
0034	Student (pupil) transportation	610	—	—	—	610
0035	Food services	270	—	—	30,351	30,621
0041	General administration	125,775	29,975	—	—	155,750
0051	Plant maintenance and operation	6,790	199,868	—	—	206,658
0061	Community services	1,055	—	112,999	—	114,054
0081	Fund raising	182	—	—	—	182
6000	Total expenditures	1,048,735	229,843	112,999	76,127	1,467,704
	Excess (deficiency) of revenues over (under) expenditures	(71,813)	(123,690)	(8,564)	5,032	(199,035)
	Net change in fund balance	(71,813)	(123,690)	(8,564)	5,032	(199,035)
	Fund balances, beginning of year	96,003	124,695	100,944	34,954	356,596
3000	Fund balances, end of year	\$ 24,190	1,005	92,380	39,986	157,561
	Net change in fund balance, per above					\$ 199,035
	Compensable absences do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds					2,222
	Change in net assets, per statement of activities					\$ 201,257

See accompanying notes to financial statements.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Notes to Basic Financial Statements

August 31, 2010

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UNIVERSITY OF HOUSTON CHARTER SCHOOL

Basic Financial Statements

August 31, 2010

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UNIVERSITY OF HOUSTON CHARTER SCHOOL

Notes to Basic Financial Statements

August 31, 2010

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The University of Houston Charter School (the Charter School) is chartered by the State Board of Education and accredited by the Texas Education Agency (TEA). The charter is held by the University of Houston System (the University). The University is accredited with the Southern Association of Colleges and Schools. Courses are developed to the Texas Essential Knowledge and Skills (TEKS) objectives and are TEKS compliant. The Charter School is a model constructivist elementary school that implements a curriculum in which children develop cognitively, socially, morally, and physically based on a sustained mental action. The Charter School provides educational curriculum to prekindergarten through the fifth grade. The Charter School's administrators and staff are degreed and certified for the positions to which they are assigned.

The Principal of the Charter School reports to management personnel of the University and the operations of the Charter School are overseen by a committee of the University's Board of Regents.

The Charter School is a department of the University. These financial statements present financial information that is attributable to the Charter School and do not purport to, and do not present fairly, the financial position of the University.

(b) Governmentwide and Fund Financial Statements

Basis of Presentation

The basic financial statements of the Charter School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units in conjunction with the TEA's Financial Accountability System Resource Guide (Resource Guide). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Charter School follows the applicable pronouncements of GASB and pronouncements of Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements as they relate to governmental entities. Accordingly, the Charter School has presented the following sets of financial statements:

Governmentwide Financial Statements

The statement of net assets and the statement of activities include the financial activities of the government as a whole. Governmental activities generally are financed through intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between program direct expenses and revenues for each function of the Charter School's governmental activities. Direct expenses are those that are associated with specific programs and/or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges for services, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All other revenues are presented as general revenues.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Notes to Basic Financial Statements

August 31, 2010

Fund Financial Statements

The fund financial statements provide information about the Charter School's funds, which are all classified as governmental funds. The fund financial statements are categorized into major and nonmajor funds. Major governmental funds are displayed in separate columns. Nonmajor governmental funds are reported in the aggregate.

The Charter School reports the following major governmental funds:

General Fund – This is the Charter School's primary operating fund. It accounts for all financial resources of the Charter School except those required to be accounted for in another fund. The major revenue source for the General Fund is the state funding under the Foundation School Program. Expenditures include all costs associated with the daily operations of the Charter School except for specific programs funded by the federal or state government, which are required to be accounted for in another fund.

UH Central Allocation – The source of this revenue is an allocation from the University of Houston System Administration General Funds to provide support to the Charter School. These funds are used at the discretion of the Charter School to supplement operating needs.

Summer Camp/Camp Construct Programs – The source of this revenue is from tuition payment. Funds originated in the Summer Camp and Camp Construct programs are restricted to these programs.

(c) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

Governmentwide Financial Statements

Governmentwide financial statement presentation is based on the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Charter School gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenue received in cash for which eligibility requirements are not yet satisfied is reported as unearned revenue in the statement of net assets. As of August 31, 2010, the Charter School did not have any unearned revenue.

Governmental Funds' Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Charter School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Notes to Basic Financial Statements

August 31, 2010

Revenues received from federal, state, and local grants are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Expenditures are recorded when the related fund liability is incurred.

(d) Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

For financial statement purposes, the Charter School considers all highly liquid investment instruments with an original maturity of three months or less to be cash equivalents.

The Charter School maintains all its cash with the University's Treasury (the Treasury). The University maintains accounts with financial institutions.

2. Deposits and Investments

The Charter School's funds are deposited with the Treasury and are not required to be maintained by the Treasury in a separate depository account with financial institutions. The Treasury maintains deposits with financial institutions in the name of the University. The Charter School reconciles the revenues and expenses in a monthly basis. The Charter School does not maintain investments of any kind, which is in compliance with the Charter School's investment policy.

3. Receivables and Payables

The Charter School believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided to further disaggregate those balances. All receivables are scheduled for collection within one year from year-end.

4. Capital Assets

Expenditures of \$5,000 or more to acquire individual assets are capitalized. Capitalized assets are recorded at cost. Donated capital assets are capitalized and recorded at their fair value when received. Capitalized assets are depreciated on a straight-line basis over the estimated useful lives of the assets. Repairs and maintenance costs are charged to expenses when incurred. The Charter School did not have any capitalized assets as of August 31, 2010. The University provides the Charter School with building facilities, furniture, playground, and parking facilities. Title to these capital assets resides with the University.

5. Compensated Absences

Employees of the Charter School are entitled to paid vacation and sick days depending on length of service. Employees with more than 35 years of service can carry over 532 hours of earned but unused vacation time at the end of each calendar year to the following calendar year. Employees with less than 35 years of service can carry forward less than 532 hours of earned but unused vacation time at the end of each calendar year to the following calendar year, based on a graduated scale tied to the length of service. Accrued leave in excess of the

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Notes to Basic Financial Statements

August 31, 2010

normal maximum is converted to sick leave at the conclusion of the fiscal year. Employees with at least six months of service who terminate their employment are entitled to payment for all accumulated unused vacation. Unpaid compensable absences of \$30,649 as of August 31, 2010 have been recorded in the accompanying financial statements.

6. Long-Term Obligations

The Charter School does not separately issue long-term debt. The Charter School is not currently engaged in any long-term financing transactions.

7. Net Assets

Unrestricted net assets include resources not restricted to any programs or functions, which are available to support the programs and activities of the Charter School in general. The amount available for this purpose as of August 31, 2010 was \$(716).

Restricted net assets amounted to \$127,628 and are restricted to various programs but not specific to functions as of August 31, 2010.

When the Charter School incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the Charter School's policy to use restricted resources first, then unrestricted resources.

8. Data Control Codes

Data control codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

9. Income Taxes

The Charter School is a department of the University, which is a local government exempt from income taxes under Section 115(a) of the Internal Revenue Code. Accordingly, income taxes are not provided for in the accompanying financial statements.

(e) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures.

(2) Other Information

(a) Risk Management

1. General

Approximately 77% of the Charter School's revenues for fiscal years 2010 were provided by the State of Texas.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Notes to Basic Financial Statements

August 31, 2010

2. Healthcare Coverage and Risk Management

The University provides healthcare benefits to all the Charter School's employees who meet the University's employment qualifications and requirements. Contributions are required from the Charter School's employees for coverage of their dependents and for higher level of coverage beyond standard benefits. During the year, the University deducted amounts from the Charter School's cash accounts to cover the Charter School's portion of healthcare coverage, based on an allocation determined by the state, and records a corresponding expense. Healthcare benefits costs attributable to the Charter School for fiscal years 2010, 2009, and 2008 were \$90,649, \$81,315, and \$76,359, respectively.

The Charter School is exposed to various risks of loss related to torts, injuries to employees, and natural disasters. The University of Houston System carries commercial insurance to cover losses to which the Charter School may be exposed.

(b) Contingent Liabilities

The Charter School receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the TEA and is subject to audit and adjustment. In addition, costs charged to federal programs are subject to audit and adjustment by the grantor agencies. The programs administered by the Charter School have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, Charter School funds may be subject to refund if so determined by the TEA or the grantor agencies. In the opinion of the Charter School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the various state and federal program grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

(c) Pension Plan

All employees of the Charter School, who are not exempt from membership under the Texas Constitution and Texas Government Code, Title 8, Subtitle C, Section 822.002, participate in the Teacher Retirement System of Texas (TRS), a public employee retirement system. It is a cost sharing multiple-employer defined benefit pension plan with the liability for all risks and costs for the State of Texas. All Charter School employees, except those employed for less than one-half the standard work load and who are not exempt by law, are required to participate in TRS as a condition of employment. Benefits are established by state statute and vary based on age at retirement along with number of years of state service.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Notes to Basic Financial Statements

August 31, 2010

By statute, covered employees must contribute 6.4% of their salary to the plan and the Charter School contributes an amount equal to 6% times the aggregate annual compensation during the fiscal year. The TRS provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The TRS operates under the authority of provisions contained primarily in Texas Government Code, Title 8, Public Retirement Systems, Subtitle C, TRS, which is subject to amendment by the Texas Legislature. The TRS's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, TX 78701-2698 or by calling 800-877-0123.

The Charter School's total contribution to the TRS for the years ended August 31, 2010, 2009, and 2008 was \$49,768, \$48,003, and \$46,920, respectively. These contributions represent 100% of the required contribution.

(d) Related-Party Transactions

For the fiscal year ended August 31, 2010, the University provided the Charter School with direct funding in the amount of \$106,153 in fiscal year 2010. The amount has been included in the revenues reported in the financial statements for the year.

In addition, the University provided the Charter School with management oversight and other administrative human resources support, office and classroom building facilities, transportation equipment, playground equipment, and certain other services and supplies estimated at approximately \$176,818 for fiscal year 2010.

(e) Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, *Certain Financial Statement Note Disclosure*, violations of finance-related legal and contractual provision, if any, should be disclosed along with actions taken to address such violations. Management of the Charter School believes that it has not violated any finance-related legal and contractual provisions for the year ended August 31, 2010.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Schedule G-1

General Fund
 Budgetary Comparison Schedule
 Year ended August 31, 2010
 Unaudited

Data control codes		Budgeted amounts		Actual	Variance with final budget positive (negative)
		Original	Final		
	Revenues:				
5700	Local and intermediate sources	\$ —	—	—	—
5800	State program revenues	975,264	975,264	976,922	(1,658)
5000	Total revenues	975,264	975,264	976,922	(1,658)
	Expenditures:				
	Current:				
	Instruction and instruction-related services:				
0011	Instruction	761,500	731,970	737,411	(5,441)
0012	Instructional resources and media services	—	—	790	(790)
0013	Curriculum and instructional staff development	15,000	15,000	17,127	(2,127)
	Total instruction and instruction-related services	776,500	746,970	755,328	(8,358)
	Instructional and school leadership:				
0021	Instructional leadership	—	—	—	—
0023	School leadership	130,000	130,000	143,503	(13,503)
	Total instruction and school leadership	130,000	130,000	143,503	(13,503)
	Support services student:				
0031	Guidance, counseling, and evaluation services	12,000	12,000	15,222	(3,222)
0034	Student (pupil) transportation	—	—	610	(610)
0035	Food services	—	—	270	(270)
	Total support services student	12,000	12,000	16,102	(4,102)
	Administrative support services:				
0041	General administration	110,100	88,100	125,775	(37,675)
	Total administrative support services	110,100	88,100	125,775	(37,675)
	Support services nonstudent based:				
0051	Plant maintenance and operations	7,000	7,000	6,790	210
	Total plant maintenance	7,000	7,000	6,790	210
	Other support:				
0061	Community services	—	—	1,055	(1,055)
0081	Fund-raising	—	—	182	(182)
		—	—	1,237	(1,237)
6000	Total expenditures	1,035,600	984,070	1,048,735	(64,665)
	Excess (deficiency) of revenues over (under) expenditures	(60,336)	(8,806)	(71,813)	63,007
	Net change in fund balance	(60,336)	(8,806)	(71,813)	63,007
	Fund balances, beginning of year	(130,402)	(130,402)	96,003	(226,405)
3000	Fund balances, end of year	\$ (190,738)	(139,208)	24,190	(163,398)

See accompanying note to required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION

Unaudited

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Note to Required Supplementary Information

Year ended August 31, 2010

Unaudited

Budgetary Information

Annually, a General Fund budget is adopted on a basis consistent with generally accepted accounting principles. Budgetary requests are submitted so that a budget may be prepared. The budget is presented to the Texas Education Agency and a final budget must be prepared and adopted no later than January of the following year.

OTHER SUPPLEMENTARY INFORMATION

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Schedule J-1

Child Nutrition
 Budgetary Comparison Schedule
 Year ended August 31, 2010

Data control codes		Budgeted amounts		Actual	Variance with final budget positive (negative)
		Original	Actual		
	Revenues:				
5700	Local and intermediate sources	\$ 24,700	24,700	20,061	4,639
5800	State program revenues	300	300	274	26
5900	Federal program revenues	11,000	11,000	11,948	(948)
5000	Total revenues	36,000	36,000	32,283	3,717
	Expenditures:				
	Current:				
0035	Food services	35,000	35,000	30,351	4,649
		35,000	35,000	30,351	4,649
	Other support:				
0099	Other intergovernmental charges	—	—	—	—
		—	—	—	—
6000	Total expenditures	35,000	35,000	30,351	4,649
	Excess (deficiency) of revenues over (under) expenditures	1,000	1,000	1,932	(932)
	Net change in fund balance	1,000	1,000	1,932	(932)
	Fund balances, beginning of year	—	—	5,513	(5,513)
3000	Fund balances, end of year	\$ 1,000	1,000	7,445	(6,445)

See accompanying note to other supplementary information.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Schedule of Expenses

Year ended August 31, 2010

<u>Data control codes</u>			
	Expenses:		
6100	Payroll costs	\$	1,053,455
6200	Professional and contractual services		234,400
6300	Supplies and materials		126,934
6400	Other operating costs		<u>55,137</u>
	Total expenses	\$	<u><u>1,469,926</u></u>

See accompanying note to other supplementary information.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Note to Other Supplementary Information

Year ended August 31, 2010

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and is not considered a part of the basic financial statements. It may, however, include information that is required by other entities such as Texas Education Agency.

STATISTICAL SECTION

Unaudited

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Statistical Section

Unaudited

The statistical section of the University of Houston Charter School's (the Charter School) comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Charter School's overall financial health.

Contents

Financial Trends

These schedules contain information to help the reader understand how the Charter School's financial performance has changed over time.

FINANCIAL TRENDS

Unaudited

UNIVERSITY OF HOUSTON CHARTER SCHOOL

General Revenues and Total Changes in Net Assets

Unaudited

	<u>2010</u>	<u>2009</u>	<u>Change</u>
Grants and contributions:			
Charges for services	\$ 124,496	141,359	(16,863)
Operating grants and contributions	42,426	54,451	(12,025)
General revenue	<u>1,101,747</u>	<u>1,026,277</u>	<u>75,470</u>
Total grants and contributions	<u>1,268,669</u>	<u>1,222,087</u>	<u>46,582</u>
Operating expenses:			
Instruction	764,564	764,367	197
Instructional resources and media services	790	—	790
Curriculum/instructional staff development	17,039	17,138	(99)
School leadership	159,985	180,898	(20,913)
Guidance/counseling and evaluation	19,889	16,884	3,005
Student (pupil) transportation	610	—	610
Food services	30,491	31,243	(752)
General administration	155,750	109,161	46,589
Plant maintenance and operations	206,658	2,043	204,615
Community services	113,968	102,404	11,564
Fund raising	<u>182</u>	<u>—</u>	<u>182</u>
Total operating expenses	<u>1,469,926</u>	<u>1,224,138</u>	<u>245,788</u>
Change in net assets	(201,257)	(2,051)	(199,206)
Net assets, beginning of year	<u>328,169</u>	<u>330,220</u>	<u>(2,051)</u>
Net assets, end of year	<u>\$ 126,912</u>	<u>328,169</u>	<u>—</u>

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Governmental Funds Fund Balances

Last Two Fiscal Years
(Modified Accrual Basis of Accounting)

Unaudited

	<u>Fiscal year</u>	
	<u>2010</u>	<u>2009</u>
Fund balances:		
Restricted for various programs	\$ 129,452	134,920
Unrestricted	28,109	221,676
Total fund balances	<u>\$ 157,561</u>	<u>356,596</u>

Governmental Funds Revenues

Last Two Fiscal Years

	<u>Fiscal year</u>	
	<u>2010</u>	<u>2009</u>
Local sources:		
UH allocation, Summer Camp and ACE Charity	\$ 229,261	265,188
Miscellaneous local sources	20,061	22,049
Total local sources	<u>249,322</u>	<u>287,237</u>
State sources:		
State program revenues	<u>982,102</u>	<u>889,931</u>
Total state sources	<u>982,102</u>	<u>889,931</u>
Federal sources:		
Federal program revenues	<u>37,245</u>	<u>44,919</u>
Total federal sources	<u>37,245</u>	<u>44,919</u>
Total revenues	<u>\$ 1,268,669</u>	<u>1,222,087</u>

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Governmental Funds Expenditures

Last Two Fiscal Years

Unaudited

	Fiscal year	
	2010	2009
Instruction	\$ 761,739	764,367
Instructional resources and media services	790	
Curriculum/instructional staff development	17,128	17,138
School leadership	159,985	180,898
Guidance/counseling and evaluation	20,187	16,884
Student (pupil) transportation	610	
Food services	30,621	31,243
General administration	155,750	109,161
Plant maintenance and operations	206,658	2,043
Community services	114,054	102,404
Fund raising	182	—
Total expenditures	\$ 1,467,704	1,224,138

Indirect Support

Fiscal year ended August 31, 2010

UH – Space occupied	5,540,012.00	Sq.ft
Charter School – Space occupied	11,369.00	Sq.ft
Percentage Charter School for operation and maintenance of plant	0.002052	
UH operation and maintenance expenses	\$ 32,067,364.93	
Amount of indirect support for operation and maintenance	65,807.42	
UH operating expenses	692,616,197.38	
Charter School operating expenses	1,469,926.00	
Percentage Charter School for institutional support	0.002122	
UH institutional support	51,616,906.74	
Amount of indirect support for institutional support	109,545.57	



**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS**

**BOARD OF REGENTS
COMMITTEE
REPORTS MATERIAL**

FEBRUARY 16, 2011

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE: Endowment Management

ITEM: Approval to modify the University of Houston System Investment Policy for Non-Endowed Funds

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

Approval is requested to modify the UH System Investment Policy for Non-Endowed Funds to include those practices that are either in place currently or add additional controls to the management of the non-endowed funds.

SUPPORTING

DOCUMENTATION: Summary of changes
Blacklined and clean version of the policy

FISCAL NOTE:

**RECOMMENDATION/
ACTION REQUESTED:** Administration recommends approval of this item

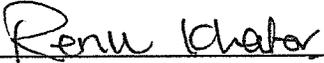
COMPONENT: University of Houston System



EXECUTIVE VICE CHANCELLOR Carl Carlucci

2/1/2011

DATE



CHANCELLOR Renu Khator

2/2/11

DATE

Endowment Management Committee
UH System Investment Policy for Non-Endowed Funds
Summary of Changes
November 16, 2010

1. Modify the asset allocation section to reflect that there are currently only two tiers of liquidity attributable to the non-endowed funds.
2. Change the target allocation for the cash and liquidity pool tiers from 40% to 50% each, change the liquidity pool's upper allowable range from 50% to 60%, and delete references to a core pool.
3. Update the benchmark for the liquidity pool to be the BofA Merrill Lynch 1-5 Year Government/Corporate Index in place of the now non-existent Lehman Brothers Intermediate Term Government Bond Index.
4. Add the BofA Merrill Lynch 1-5 Year Government/Corporate Index AA as a secondary benchmark for the liquidity portfolio to also compare the fixed income manager's performance relative to this subset of the broader benchmark index given the credit quality limitations imposed on the manager by the investment guidelines.
5. Change the rebalancing section to refer to two investment pools instead of three and adjust the expected frequency of any rebalancing given that these two pools are expected to have less volatility than when the core pool was considered a part of the pooled fund.
6. Modify section III (Authorized Investment Types) as follows:
 - a. Item F(2) – add qualifying language prohibiting certain types of mortgage backed securities.
 - b. Item J – add language requiring that no-load money market mutual funds be registered with the Securities and Exchange Commission.
 - c. Item O – delete the reference to a core pool and add language giving the Endowment Management Committee the flexibility of investing in any other investments not otherwise prohibited investment instruments described in the policy.
7. Insert a new section IV (Risk Control and Investment Limits) which describes the types of fixed income and cash equivalent investments permitted and the risk controls or restrictions imposed on each investment type.
8. In section V, add to the list of prohibited investments any collateralized mortgage obligations that have a stated final maturity date of greater than 10 years.
9. In section VI, add investment management firms registered under the Investment Advisers Act of 1940 to the list of authorized institutions or groups with whom we may invest these funds.
10. In section VIII, add a sub-section for securities lending which states that this practice may only be undertaken upon approval by the Board. This language is consistent with the language adopted by the Board for the endowment fund investment policy.

UNIVERSITY OF HOUSTON SYSTEM
INVESTMENT POLICY FOR NON-ENDOWED FUNDS
Approved by the Board of Regents ~~February~~ November 16, 2010

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I. INVESTMENT AUTHORITY AND SCOPE OF POLICY

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A. General Statement

-All non-endowed financial assets of the University of Houston System are to be invested in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the System and conforming to all state statutes governing investment of such funds. This investment policy applies to all non-endowed financial assets of all funds of the UH System at the present time and any funds to be created in the future.

B. Investment Officer

The System Treasurer may invest funds that are not immediately required to pay obligations of the System. The Board shall designate by resolution one or more additional officers or employees as investment officers. The Endowment Management Committee may also appoint one or more investment managers to invest the System's funds under the terms of this policy.

If an investment officer has a personal business relationship with an entity or is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the System, the investment officer must file a statement disclosing that personal business interest or relationship with the Texas Ethics Commission.

II. INVESTMENT OBJECTIVES

A. Safety and Maintenance of Adequate Liquidity

Safety of principal is a primary objective in any investment transaction involving non-endowed financial assets. The System's investment portfolio must be structured in conformance with an asset/liability management plan that provides for liquidity necessary to pay obligations as they become due.

B. Diversification

The System will diversify its portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of investments.

C. Yield

The System seeks to earn the maximum rate of return allowed on its investments within constraints imposed by its safety and liquidity objectives, and state and federal law governing investment of public funds.

D. Maturity

Portfolio maturities will be structured to meet the obligations of the System first and then to achieve the highest return of interest. When the System has funds that will not be needed to meet current-year obligations, maturity restraints will be imposed based upon investment strategy.

E. Investment Managers

Hiring of investment managers requires Endowment Management Committee approval except, when on the recommendation of the committee staff and the investment consultant, the chair of the Endowment Management Committee and the chair of the Finance and Administration Committee jointly determine that time is of the essence and immediate action in lieu of a called committee meeting is necessary to hire or terminate an investment manager, the recommended change can then be made. The chair of the Endowment Management Committee will have the staff immediately report any such action taken to the members of the Endowment Management Committee and the Chairman of the Board of Regents after such action is taken.

F. Asset Allocation

The non-endowed funds will be allocated into ~~three~~two tiers of liquidity to better reflect the actual liquidity requirements of these assets. The approved liquidity tiers and target allocation to each tier is as follows:

1. ~~40~~50% allocated to a cash pool with a one-year time horizon; designed to meet the annual operating needs of the system. This cash pool will be invested in money market funds in conformity with section III. The benchmark for this pool will be the Merrill Lynch 91-Day T-Bill Index.

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2. ~~40~~50% allocated to a liquidity pool with a horizon of one to five years, designed to serve as a margin of safety in the unlikely event that the cash pool is insufficient to meet spending needs. The liquidity pool will be invested in intermediate-term bonds in conformity with section III. The benchmark for this ~~proposal pool~~ will be the BofA ML 1-5 Yr Govt/Corp Index and the BofA ML 1-5 Yr Govt/Corp Index AA and above. ~~Lehman Brothers Intermediate Term Government Bond Index.~~

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~~20% allocated to a core pool with an indefinite time horizon. This pool will be much more broadly diversified than either the cash pool or the liquidity pool and will be designed to generate a higher return over longer periods while remaining liquid enough to serve as a source of funds under extreme circumstances. The core pool may be invested in any asset classes as approved by the Endowment Management Committee. The benchmark for this pool will be the Dynamic Portfolio Benchmark used to measure the performance of the Endowment.~~

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A customized Total Portfolio Benchmark will be employed to measure the overall performance of the portfolio. This benchmark will blend the returns of the ~~three~~two benchmarks specified above, weighted according to the target allocation for each respective tier.

Policy targets and allowable ranges for the Non-Endowed Funds are as follows:

	Target Allocation	Allowable Range
Cash Pool	40 <u>50</u> %	40% to 100%
Liquidity Pool	40 <u>50</u> %	0% to 6 <u>50</u> %
Core Pool	20%	0 to 25%

G. Rebalancing

Given the substantial difference in expected return among these ~~three~~ two pools, and the regular use of funds from the cash pool for operational purposes, ~~it is expected that these pools will~~ may need to be rebalanced ~~fairly frequently~~ occasionally. The Endowment Management Committee should consider rebalancing a pool when it exceeds a five percent over-or-underweight relative to its allowable ranges.

Between meetings of the Committee, should the exposure for any pool reach a level of 5% or more beyond the uppermost limit or 5% below the lower end of the specified range as measured at the end of the month, the Treasurer shall consult with the System’s Investment Consultant (if any) and make a recommendation to the Executive Vice Chancellor or designee as to the appropriate rebalancing actions to take. By mutual agreement, those parties may then proceed to take what rebalancing actions they deem to be reasonable and practical. Any rebalancing actions taken shall be communicated to the entire Committee by the Executive Vice Chancellor in a timely matter but in any case, no later than the next Committee meeting.

H. Quality and Capability of Investment Management

The System will provide periodic training in investments for the System Investment Officers through courses and seminars offered by professional organizations and associations in order to insure the quality, capability and currency of the System Investment Officers in making investment decisions.

III. AUTHORIZED INVESTMENT TYPES

The System Investment Officer shall use any of the following authorized investment instruments consistent with this policy and governing law.

~~A. T~~ The following are authorized investments:

- ~~A. (1) e~~ Obligations of the United States or its agencies and instrumentalities;
- ~~B. D~~ ~~(2)~~ direct obligations of this state or its agencies or instrumentalities;

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~~C. (3) e~~Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;

~~D. (4) e~~Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities; and

~~E. (5) e~~Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.

~~F. Certificates of deposit if issued by a state or national bank domiciled in this state or a savings and loan association domiciled in this state that are:~~

~~1. (1) g~~Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor;

~~2. (2) s~~Secured by obligations that are described by Section 2256.009(a) of the Public Funds Investment Act, including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described as Prohibited Investment Instruments in this policy; or

~~3. Secured in any other manner and amount provided by law for deposits of the System.~~

~~— or~~

~~(3) secured in any other manner and amount provided by law for deposits of the System.~~

~~G. A fully collateralized repurchase agreement or reverse repurchase agreement, as defined in~~

~~the Public Funds Investment Act, if it:~~

~~1. H (1) has~~ a defined termination date;

~~2. (2) i~~Is secured by obligations described by Section 2256.009(a)(1) of the Public Funds Investment Act;

~~3. (3) r~~Requires the securities being purchased by the System to be pledged to the System, held in the System's name, and deposited at the time the investment is made with the System or with a third party selected and approved by the System; and

~~4. (4) i~~Is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state.

Notwithstanding any law, the term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered.

Money received by ~~a~~the System under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

~~D~~H. A banker's acceptance if it:

1. ~~_____~~(1) has a stated maturity of 270 days or fewer from the date of its issuance;
2. ~~_____~~(2) will be, in accordance with its terms, liquidated in full at maturity;
3. ~~_____~~(3) is eligible for collateral for borrowing from a Federal Reserve Bank;

and

~~_____~~(4) is accepted by a bank organized and existing under the laws of the United States or ~~_____~~any

4. ~~_____~~ state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.

~~E~~I. Commercial paper if it:

1. ~~_____~~(1) has a stated maturity of 270 days or fewer from the date of its issuance;
and
2. ~~_____~~(2) is rated not less than A-1 or P-1 or an equivalent rating by at least:
 - a. ~~(A)~~ two nationally recognized credit rating agencies; or
 - b. ~~(B)~~ one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

~~F~~J. Mutual Funds and money market mutual funds with limitations described below:

1. ~~_____~~ A no-load money market mutual fund is authorized if it:
 - a. ~~_____~~(1) is registered with and regulated by the Securities and Exchange Commission;
 - b. ~~_____~~(2) has a dollar-weighted average stated maturity of 90 days or fewer; and
 - c. ~~_____~~(3) includes in its investment objectives the maintenance of a stable net asset value of \$1 for each share.
2. ~~_____~~ A no-load mutual fund is authorized if it:
 - (1)a. ~~_____~~ is registered with the Securities and Exchange Commission;
 - (2)b. ~~_____~~ is Securities and Exchange Commission 2a-7 compliant;
 - c. ~~_____~~(3) has an average weighted maturity of less than two years;
 - d. ~~_____~~(4) is invested exclusively in obligations approved by this policy;and

~~e.~~ ~~(5)~~ is continuously rated as to investment quality by the two nationally recognized statistical rating organizations that rate our debt of not less than AAA or its equivalent.

The System may not invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one mutual fund or money market mutual fund in an amount that exceeds 10 percent of the total assets of the mutual fund or money market mutual fund.

~~GK.~~ -Eligible investment pools approved by the Board. An investment pool shall invest the funds it receives from entities in authorized investments permitted by the Public Funds Investment Act. The System by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

~~HL.~~ Cash management and fixed income funds sponsored by organizations exempt from federal income taxation under Section 501 (f), Internal Revenue Code of 1986.

~~IM.~~ -Negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or is associated with a holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency .

~~JN.~~ Corporate bonds, debentures, or similar debt obligations rated by a nationally recognized investment rating firm in one of the two highest long-term rating categories, without regard to gradation within those categories.

~~KO.~~ The purchase of units in the System Endowment Fund up to an amount not to exceed 20% of the non-endowed funds. Any other investment types, other than prohibited investment instruments, not listed above as approved by the Endowment Management Committee.

IV. RISK CONTROL AND INVESTMENT LIMITS

In the interest of risk control and diversification, the following limits will be placed on allocation among allowable investments within the liquidity pool:

<u>A. Types of issues permitted</u>	<u>Restrictions</u>
(1) U.S. Government	No Limit
(2) Federal Agencies ⁽⁺⁾	20-% per Agency (GNMA collateralized mortgages issued by FNMA or FHLMC count under U.S. Government limit)

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(3) Municipal Obligations⁽²⁾

5 % per issuer

30 % aggregate limit

Rated A/A and above by

S & P and Moody's

(There is a 50% aggregate limit for corporate bonds and taxable municipal obligations.)

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(4) Corporate Bonds⁽²⁾

5% per issuer

Rated AA and above by S&P or

Moody's

25% per economic sector

(There is a 50% aggregate limit for corporate bonds and taxable municipal obligations.)

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(5) Mortgage Securities

30% aggregate limit

Final maturity 10 years or less

Average life less than 5 years

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(6) SEC Registered Money Market Funds

(7) Commercial Paper

5 % per issuer

(under 270 day maturities)

Rated A-1 / P-1

25 % limit per economic

sector

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B. Maturity Restrictions

Final Maturity	Percentage of Portfolio
Less than 1 year	0% to 100%
1 to 2 years	0% to 100%
2 to 5 years	0% to 75%

V. Prohibited Investment Instruments

The System Investment Officer or appointed investment management company has no authority to use any of the following investment instruments:

~~—(1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;~~

A. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal

B. Q—(2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;

C. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years;

C

D. —(3) collateralized mortgage obligations the interest rate of which is determined by an index that ~~adjusts~~adjusts opposite to the changes in a market index; and

A

E. —(4) any other security prohibited by the laws of the State of Texas. The* Treasurer will inform ~~investment~~investment managers of any such prohibitions on an ongoing basis.

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IVVI. INVESTMENT RESPONSIBILITY AND CONTROL

A. Investment Institutions Defined

The System Investment Officer shall invest System funds with any or all of the following institutions or groups consistent with federal and state law and the current Depository Bank contract:

1. ~~—(1) Depository bank;~~
2. ~~—(2) Other state or national banks, or their subsidiaries, domiciled in Texas that are insured by the FDIC;~~
3. ~~—(3) Public funds investment pools; or~~
4. ~~—(4) Government securities brokers and dealers; or~~
5. Investment management firms registered under the Investment Advisers Act of 1940.

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B. Standards of Operation

The System Investment Officer shall develop and maintain written administrative procedures for the operation of the investment program, consistent with this investment policy.

C. Delivery vs. Payment

All Treasury Bills, Notes and Bonds and Government Agencies' securities shall be purchased using the "Delivery vs. Payment" (DVP) method through the Federal Reserve System. By doing so, System funds are not released until the System has received, through the Federal Reserve wire, the securities purchased.

D. Standard of Care

Investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived. Investment of funds shall be governed by the following investment objectives, in order of priority: preservation and safety of principal; liquidity; and yield. In determining whether an investment officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

1. ~~_____ (1) The investment of all funds, or funds under the System's control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and~~
2. ~~_____ (2) Whether the investment decision was consistent with the written investment policy of the System.~~

VII. INVESTMENT REPORTING AND PERFORMANCE EVALUATION

Not less than quarterly, the System shall submit to the Endowment Management Committee a written report of the System's investment transactions for the preceding reporting period. The report shall contain:

- ~~_____ A. A summary statement of each pooled fund group that states the beginning market value for the reporting period, additions and changes to the market value during the _____ period, and the ending market value for the period.~~
- ~~_____ B. The book value and market value for each separately invested asset at the beginning _____ and end of the reporting period by type of asset and fund type invested.~~

For purpose of this section:

"~~p~~Pooled fund group" means an internally created fund in which one or more institutional accounts are invested; and "~~S~~Separately-separately invested asset" means an account that is not invested in a pooled fund group.

VIII. INVESTMENT COLLATERAL AND SAFEKEEPING

A. Collateral or Insurance

The System Investment Officer shall ensure that all System funds are fully collateralized or insured consistent with federal and state law and the current Bank Depository Contract in one or more of the following manners:

1. _____(1)FDIC insurance coverage; or
2. _____(2)Obligations of the United States or its agencies and instrumentalities.

B. Safekeeping

All purchased securities shall be held in safekeeping by the System, or a System account in a third party financial institution, or with the Federal Reserve Bank. All pledged securities by the Depository Bank shall be held in safekeeping by the System, or a System account in a third party financial institution, or with a Federal Reserve Bank.

C. Securities Lending

Securities owned by the System and held in custody by the System's custodian may only be lent to other parties through a contract between the System and the custodian pursuant to a written agreement approved by the Board of Regents. Neither custodians nor investment managers may enter into securities lending agreements without the consent of the Board of Regents. The System recognizes, however, that, for those investments placed in mutual funds, the Board cannot dictate whether or not the fund will engage in securities lending. Therefore, the System and its investment consultant (if any) shall make every effort either to avoid mutual funds that participate in securities lending, or to otherwise limit investment to those managers who will not engage in securities lending.

IX. Review and Modification of Policy

The Endowment Management Committee shall review this Policy at least once a year to determine if modifications are necessary or desirable. If substantive modifications are made, they shall be promptly communicated to responsible parties.

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UNIVERSITY OF HOUSTON SYSTEM
INVESTMENT POLICY FOR NON-ENDOWED FUNDS
Approved by the Board of Regents ~~February~~ November 16, 2010

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I. INVESTMENT AUTHORITY AND SCOPE OF POLICY

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A. General Statement

-All non-endowed financial assets of the University of Houston System are to be invested in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the System and conforming to all state statutes governing investment of such funds. This investment policy applies to all non-endowed financial assets of all funds of the UH System at the present time and any funds to be created in the future.

B. Investment Officer

The System Treasurer may invest funds that are not immediately required to pay obligations of the System. The Board shall designate by resolution one or more additional officers or employees as investment officers. The Endowment Management Committee may also appoint one or more investment managers to invest the System's funds under the terms of this policy.

If an investment officer has a personal business relationship with an entity or is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the System, the investment officer must file a statement disclosing that personal business interest or relationship with the Texas Ethics Commission.

II. INVESTMENT OBJECTIVES

A. Safety and Maintenance of Adequate Liquidity

Safety of principal is a primary objective in any investment transaction involving non-endowed financial assets. The System's investment portfolio must be structured in conformance with an asset/liability management plan that provides for liquidity necessary to pay obligations as they become due.

B. Diversification

The System will diversify its portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of investments.

C. Yield

The System seeks to earn the maximum rate of return allowed on its investments within constraints imposed by its safety and liquidity objectives, and state and federal law governing investment of public funds.

D. Maturity

Portfolio maturities will be structured to meet the obligations of the System first and then to achieve the highest return of interest. When the System has funds that will not be needed to meet current-year obligations, maturity restraints will be imposed based upon investment strategy.

E. Investment Managers

Hiring of investment managers requires Endowment Management Committee approval except, when on the recommendation of the committee staff and the investment consultant, the chair of the Endowment Management Committee and the chair of the Finance and Administration Committee jointly determine that time is of the essence and immediate action in lieu of a called committee meeting is necessary to hire or terminate an investment manager, the recommended change can then be made. The chair of the Endowment Management Committee will have the staff immediately report any such action taken to the members of the Endowment Management Committee and the Chairman of the Board of Regents after such action is taken.

F. Asset Allocation

The non-endowed funds will be allocated into ~~three-two~~ tiers of liquidity to better reflect the actual liquidity requirements of these assets. The approved liquidity tiers and target allocation to each tier is as follows:

1. ~~40~~50% allocated to a cash pool with a one-year time horizon; designed to meet the annual operating needs of the system. This cash pool will be invested in money market funds in conformity with section III. The benchmark for this pool will be the Merrill Lynch 91-Day T-Bill Index.

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2. ~~40~~50% allocated to a liquidity pool with a horizon of one to five years, designed to serve as a margin of safety in the unlikely event that the cash pool is insufficient to meet spending needs. The liquidity pool will be invested in intermediate-term bonds in conformity with section III. The benchmark for this ~~proposal pool~~ will be the BofA ML 1-5 Yr Govt/Corp Index and the BofA ML 1-5 Yr Govt/Corp Index AA and above Lehman Brothers Intermediate Term Government Bond Index.

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~~20% allocated to a core pool with an indefinite time horizon. This pool will be much more broadly diversified than either the cash pool or the liquidity pool and will be designed to generate a higher return over longer periods while remaining liquid enough to serve as a source of funds under extreme circumstances. The core pool may be invested in any asset classes as approved by the Endowment Management Committee. The benchmark for this pool will be the Dynamic Portfolio Benchmark used to measure the performance of the Endowment.~~

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A customized Total Portfolio Benchmark will be employed to measure the overall performance of the portfolio. This benchmark will blend the returns of the ~~three-two~~ benchmarks specified above, weighted according to the target allocation for each respective tier.

Policy targets and allowable ranges for the Non-Endowed Funds are as follows:

	Target Allocation	Allowable Range
Cash Pool	40 50%	40% to 100%
Liquidity Pool	40 50%	0% to 650%
Core Pool	20%	0 to 25%

G. Rebalancing

Given the substantial difference in expected return among these ~~three~~ two pools, and the regular use of funds from the cash pool for operational purposes, ~~it is expected that these pools will~~ may need to be rebalanced ~~fairly frequently~~ occasionally. The Endowment Management Committee should consider rebalancing a pool when it exceeds a five percent over-or-underweight relative to its allowable ranges.

Between meetings of the Committee, should the exposure for any pool reach a level of 5% or more beyond the uppermost limit or 5% below the lower end of the specified range as measured at the end of the month, the Treasurer shall consult with the System's Investment Consultant (if any) and make a recommendation to the Executive Vice Chancellor or designee as to the appropriate rebalancing actions to take. By mutual agreement, those parties may then proceed to take what rebalancing actions they deem to be reasonable and practical. Any rebalancing actions taken shall be communicated to the entire Committee by the Executive Vice Chancellor in a timely matter but in any case, no later than the next Committee meeting.

H. Quality and Capability of Investment Management

The System will provide periodic training in investments for the System Investment Officers through courses and seminars offered by professional organizations and associations in order to insure the quality, capability and currency of the System Investment Officers in making investment decisions.

III. AUTHORIZED INVESTMENT TYPES

The System Investment Officer shall use any of the following authorized investment instruments consistent with this policy and governing law.

~~A. T~~ The following are authorized investments:

- ~~A. (1) o~~ Obligations of the United States or its agencies and instrumentalities;
- ~~B. D~~ (2) direct obligations of this state or its agencies or instrumentalities;

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~~C. (3) e~~Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;

~~D. (4) e~~Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities; and

~~E. (5) e~~Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.

~~B~~F. Certificates of deposit if issued by a state or national bank domiciled in this state or a savings and loan association domiciled in this state that are:

1. ~~(1) g~~Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor;

2. ~~(2) s~~Secured by obligations that are described by Section 2256.009(a) of the Public Funds Investment Act, including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described as Prohibited Investment Instruments in this policy; or

3. Secured in any other manner and amount provided by law for deposits of the System.

~~or~~

~~(3) secured in any other manner and amount provided by law for deposits of the System.~~

~~C~~G. A fully collateralized repurchase agreement or reverse repurchase agreement, as defined in

the Public Funds Investment Act, if it:

1. ~~H~~ (1) has a defined termination date;

2. ~~(2) i~~Is secured by obligations described by Section 2256.009(a)(1) of the Public Funds Investment Act;

3. ~~(3) r~~Requires the securities being purchased by the System to be pledged to the System, held in the System's name, and deposited at the time the investment is made with the System or with a third party selected and approved by the System; and

4. ~~(4) i~~Is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state.

Notwithstanding any law, the term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered.

Money received by ~~a~~the System under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

~~D~~H. A banker's acceptance if it:

1. ~~_____~~(1) has a stated maturity of 270 days or fewer from the date of its issuance;
2. ~~_____~~(2) will be, in accordance with its terms, liquidated in full at maturity;
3. ~~_____~~(3) is eligible for collateral for borrowing from a Federal Reserve Bank;

and

~~_____~~(4) is accepted by a bank organized and existing under the laws of the United States or ~~_____~~any

4. ~~_____~~ state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.

~~E~~I. Commercial paper if it:

1. ~~_____~~(1) has a stated maturity of 270 days or fewer from the date of its issuance;
and
2. ~~_____~~(2) is rated not less than A-1 or P-1 or an equivalent rating by at least:
 - a. ~~(A)~~ two nationally recognized credit rating agencies; or
 - b. ~~(B)~~ one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

~~F~~J. Mutual Funds and money market mutual funds with limitations described below:

1. ~~_____~~—A no-load money market mutual fund is authorized if it:
 - a. ~~_____~~(1) is registered with and regulated by the Securities and Exchange Commission;
 - b. ~~_____~~(2) has a dollar-weighted average stated maturity of 90 days or fewer; and
 - c. ~~_____~~(3) includes in its investment objectives the maintenance of a stable net asset value of \$1 for each share.
2. A no-load mutual fund is authorized if it:
 - (1)a. ~~_____~~ is registered with the Securities and Exchange Commission;
 - (2)b. ~~_____~~ is Securities and Exchange Commission 2a-7 compliant;
 - c. ~~_____~~(3) has an average weighted maturity of less than two years;
 - d. ~~_____~~(4) is invested exclusively in obligations approved by this policy;and

e. ~~(5)~~ is continuously rated as to investment quality by the two nationally recognized statistical rating organizations that rate our debt of not less than AAA or its equivalent.

The System may not invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one mutual fund or money market mutual fund in an amount that exceeds 10 percent of the total assets of the mutual fund or money market mutual fund.

~~GK.~~ -Eligible investment pools approved by the Board. An investment pool shall invest the funds it receives from entities in authorized investments permitted by the Public Funds Investment Act. The System by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

~~HL.~~ Cash management and fixed income funds sponsored by organizations exempt from federal income taxation under Section 501 (f), Internal Revenue Code of 1986.

~~IM.~~ -Negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or is associated with a holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency .

~~JN.~~ Corporate bonds, debentures, or similar debt obligations rated by a nationally recognized investment rating firm in one of the two highest long-term rating categories, without regard to gradation within those categories.

~~KO.~~ The purchase of units in the System Endowment Fund up to an amount not to exceed 20% of the non-endowed funds. Any other investment types, other than prohibited investment instruments, not listed above as approved by the Endowment Management Committee.

IV. RISK CONTROL AND INVESTMENT LIMITS

In the interest of risk control and diversification, the following limits will be placed on allocation among allowable investments within the liquidity pool:

<u>A. Types of issues permitted</u>	<u>Restrictions</u>
<u>(1) U.S. Government</u>	<u>No Limit</u>
<u>(2) Federal Agencies⁽⁺⁾</u>	<u>20-% per Agency</u> <u>(GNMA collateralized mortgages issued by FNMA or FHLMC count under U.S. Government limit)</u>

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(3) Municipal Obligations⁽²⁾

5 % per issuer

30 % aggregate limit

Rated A/A and above by

S & P and Moody's

(There is a 50% aggregate limit for corporate bonds and taxable municipal obligations.)

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(4) Corporate Bonds⁽²⁾

5% per issuer

Rated AA and above by S&P or

Moody's

25% per economic sector

(There is a 50% aggregate limit for corporate bonds and taxable municipal obligations.)

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(5) Mortgage Securities

30% aggregate limit

Final maturity 10 years or less

Average life less than 5 years

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(6) SEC Registered Money Market Funds

(7) Commercial Paper

5 % per issuer

(under 270 day maturities)

Rated A-1 / P-1

25 % limit per economic

sector

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B. Maturity Restrictions

<u>Final Maturity</u>	<u>Percentage of Portfolio</u>
<u>Less than 1 year</u>	<u>0% to 100%</u>
<u>1 to 2 years</u>	<u>0% to 100%</u>
<u>2 to 5 years</u>	<u>0% to 75%</u>

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V. Prohibited Investment Instruments

The System Investment Officer or appointed investment management company has no authority to use any of the following investment instruments:

~~(1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;~~

A. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal

B. O ~~(2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;~~

C. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years;

C

D. ~~(3) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts adjusts opposite to the changes in a market index; and~~

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E. ~~(4) any other security prohibited by the laws of the State of Texas. The Treasurer will inform investment investment managers of any such prohibitions on an ongoing basis.~~

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IV. INVESTMENT RESPONSIBILITY AND CONTROL

A. Investment Institutions Defined

The System Investment Officer shall invest System funds with any or all of the following institutions or groups consistent with federal and state law and the current Depository Bank contract:

1. ~~(1) Depository bank;~~
2. ~~(2) Other state or national banks, or their subsidiaries, domiciled in Texas that are insured by the FDIC;~~
3. ~~(3) Public funds investment pools; or~~
4. ~~(4) Government securities brokers and dealers; or~~
5. Investment management firms registered under the Investment Advisers Act of 1940.

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B. Standards of Operation

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All purchased securities shall be held in safekeeping by the System, or a System account in a third party financial institution, or with the Federal Reserve Bank. All pledged securities by the Depository Bank shall be held in safekeeping by the System, or a System account in a third party financial institution, or with a Federal Reserve Bank.

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UNIVERSITY OF HOUSTON SYSTEM
INVESTMENT POLICY FOR NON-ENDOWED FUNDS
Approved by the Board of Regents November 16, 2010

I. INVESTMENT AUTHORITY AND SCOPE OF POLICY

A. General Statement

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If an investment officer has a personal business relationship with an entity or is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the System, the investment officer must file a statement disclosing that personal business interest or relationship with the Texas Ethics Commission.

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The System will diversify its portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of investments.

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The non-endowed funds will be allocated into two tiers of liquidity to better reflect the actual liquidity requirements of these assets. The approved liquidity tiers and target allocation to each tier is as follows:

1. 50% allocated to a cash pool with a one-year time horizon; designed to meet the annual operating needs of the system. This cash pool will be invested in money market funds in conformity with section III. The benchmark for this pool will be the Merrill Lynch 91-Day T-Bill Index.
2. 50% allocated to a liquidity pool with a horizon of one to five years, designed to serve as a margin of safety in the unlikely event that the cash pool is insufficient to meet spending needs. The liquidity pool will be invested in intermediate-term bonds in conformity with section III. The benchmark for this pool will be the BofA ML 1-5 Yr Govt/Corp Index and the BofA ML 1-5 Yr Govt/Corp Index AA and above.

A customized Total Portfolio Benchmark will be employed to measure the overall performance of the portfolio. This benchmark will blend the returns of the two benchmarks specified above, weighted according to the target allocation for each respective tier.

Policy targets and allowable ranges for the Non-Endowed Funds are as follows:

	Target Allocation	Allowable Range
Cash Pool	50%	40% to 100%
Liquidity Pool	50%	0% to 60%

G. Rebalancing

Given the substantial difference in expected return among these two pools, and the regular use of funds from the cash pool for operational purposes, these pools may need to be rebalanced occasionally. The Endowment Management Committee should consider rebalancing a pool when it exceeds a five percent over-or-underweight relative to its allowable ranges.

Between meetings of the Committee, should the exposure for any pool reach a level of 5% or more beyond the uppermost limit or 5% below the lower end of the specified range as measured at the end of the month, the Treasurer shall consult with the System's Investment Consultant (if any) and make a recommendation to the Executive Vice Chancellor or designee as to the appropriate rebalancing actions to take. By mutual agreement, those parties may then proceed to take what rebalancing actions they deem to be reasonable and practical. Any rebalancing actions taken shall be communicated to the entire Committee by the Executive Vice Chancellor in a timely matter but in any case, no later than the next Committee meeting.

H. Quality and Capability of Investment Management

The System will provide periodic training in investments for the System Investment Officers through courses and seminars offered by professional organizations and associations in order to insure the quality, capability and currency of the System Investment Officers in making investment decisions.

III. AUTHORIZED INVESTMENT TYPES

The System Investment Officer shall use any of the following authorized investment instruments consistent with this policy and governing law. The following are authorized investments:

- A. Obligations of the United States or its agencies and instrumentalities;
- B. Direct obligations of this state or its agencies or instrumentalities;
- C. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
- D. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities; and
- E. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.
- F. Certificates of deposit if issued by a state or national bank domiciled in this state or a savings and loan association domiciled in this state that are:
 1. Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor;

2. Secured by obligations that are described by Section 2256.009(a) of the Public Funds Investment Act, including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described as Prohibited Investment Instruments in this policy; or
 3. Secured in any other manner and amount provided by law for deposits of the System.
- G. A fully collateralized repurchase agreement or reverse repurchase agreement, as defined in the Public Funds Investment Act, if it:
1. Has a defined termination date;
 2. Is secured by obligations described by Section 2256.009(a)(1) of the Public Funds Investment Act;
 3. Requires the securities being purchased by the System to be pledged to the System, held in the System's name, and deposited at the time the investment is made with the System or with a third party selected and approved by the System; and
 4. Is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state.

Notwithstanding any law, the term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered. Money received by the System under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

- H. A banker's acceptance if it:
1. has a stated maturity of 270 days or fewer from the date of its issuance;
 2. will be, in accordance with its terms, liquidated in full at maturity;
 3. is eligible for collateral for borrowing from a Federal Reserve Bank; and
 4. is accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.
- I. Commercial paper if it:
1. has a stated maturity of 270 days or fewer from the date of its issuance; and
 2. is rated not less than A-1 or P-1 or an equivalent rating by at least:
 - a. two nationally recognized credit rating agencies; or

- b. one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

J. Mutual Funds and money market mutual funds with limitations described below:

- 1. A no-load money market mutual fund is authorized if it:
 - a. is registered with and regulated by the Securities and Exchange Commission;
 - b. has a dollar-weighted average stated maturity of 90 days or fewer; and
 - c. includes in its investment objectives the maintenance of a stable net asset value of \$1 for each share.
- 2. A no-load mutual fund is authorized if it:
 - a. is registered with the Securities and Exchange Commission;
 - b. is Securities and Exchange Commission 2a-7 compliant;
 - c. has an average weighted maturity of less than two years;
 - d. is invested exclusively in obligations approved by this policy; and
 - e. is continuously rated as to investment quality by the two nationally recognized statistical rating organizations that rate our debt of not less than AAA or its equivalent.

The System may not invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one mutual fund or money market mutual fund in an amount that exceeds 10 percent of the total assets of the mutual fund or money market mutual fund.

- K. Eligible investment pools approved by the Board. An investment pool shall invest the funds it receives from entities in authorized investments permitted by the Public Funds Investment Act. The System by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.
- L. Cash management and fixed income funds sponsored by organizations exempt from federal income taxation under Section 501 (f), Internal Revenue Code of 1986.
- M. Negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or is associated with a holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency .
- N. Corporate bonds, debentures, or similar debt obligations rated by a nationally recognized investment rating firm in one of the two highest long-term rating categories, without regard to gradation within those categories.

- O. Any other investment types, other than prohibited investment instruments, not listed above as approved by the Endowment Management Committee.

IV. RISK CONTROL AND INVESTMENT LIMITS

In the interest of risk control and diversification, the following limits will be placed on allocation among allowable investments within the liquidity pool:

A. <u>Types of issues permitted</u>	<u>Restrictions</u>
(1) U.S. Government	No Limit
(2) Federal Agencies	20% per Agency (GNMA collateralized mortgages issued by FNMA or FHLMC count under U.S. Government limit)
(3) Municipal Obligations	5 % per issuer 30 % aggregate limit Rated A/A and above by S & P and Moody's (There is a 50% aggregate limit for corporate bonds and taxable municipal obligations.)
(4) Corporate Bonds	5% per issuer Rated AA and above by S&P or Moody's 25% per economic sector (There is a 50% aggregate limit for corporate bonds and taxable municipal obligations.)
(5) Mortgage Securities	30% aggregate limit Final maturity 10 years or less Average life less than 5 years
(6) SEC Registered Money Market Funds	
(7) Commercial Paper (under 270 day maturities)	5 % per issuer Rated A-1 / P-1 25 % limit per economic sector

B. Maturity Restrictions

Final Maturity	Percentage of Portfolio
Less than 1 year	0% to 100%
1 to 2 years	0% to 100%
2 to 5 years	0% to 75%

V. Prohibited Investment Instruments

The System Investment Officer or appointed investment management company has no authority to use any of the following investment instruments:

- A. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal
- B. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
- C. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years;
- D. Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index; and
- E. Any other security prohibited by the laws of the State of Texas. The Treasurer will inform investment managers of any such prohibitions on an ongoing basis.

VI. INVESTMENT RESPONSIBILITY AND CONTROL

A. Investment Institutions Defined

The System Investment Officer shall invest System funds with any or all of the following institutions or groups consistent with federal and state law and the current Depository Bank contract:

1. Depository bank;
2. Other state or national banks, or their subsidiaries, domiciled in Texas that are insured by the FDIC;
3. Public funds investment pools;
4. Government securities brokers and dealers; or
5. Investment management firms registered under the Investment Advisers Act of 1940.

B. Standards of Operation

The System Investment Officer shall develop and maintain written administrative procedures for the operation of the investment program, consistent with this investment policy.

C. Delivery vs. Payment

All Treasury Bills, Notes and Bonds and Government Agencies' securities shall be purchased using the "Delivery vs. Payment" (DVP) method through the Federal Reserve System. By doing so, System funds are not released until the System has received, through the Federal Reserve wire, the securities purchased.

D. Standard of Care

Investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived. Investment of funds shall be governed by the following investment objectives, in order of priority: preservation and safety of principal; liquidity; and yield. In determining whether an investment officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

1. The investment of all funds, or funds under the System's control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and
2. Whether the investment decision was consistent with the written investment policy of the System.

VII. INVESTMENT REPORTING AND PERFORMANCE EVALUATION

Not less than quarterly, the System shall submit to the Endowment Management Committee a written report of the System's investment transactions for the preceding reporting period. The report shall contain:

- A. A summary statement of each pooled fund group that states the beginning market value for the reporting period, additions and changes to the market value during the period, and the ending market value for the period.
- B. The book value and market value for each separately invested asset at the beginning and end of the reporting period by type of asset and fund type invested.

For purpose of this section, "pooled fund group" means an internally created fund in which one or more institutional accounts are invested, and "separately invested asset" means an account that is not invested in a pooled fund group.

VIII. INVESTMENT COLLATERAL AND SAFEKEEPING

A. Collateral or Insurance

The System Investment Officer shall ensure that all System funds are fully collateralized or insured consistent with federal and state law and the current Bank Depository Contract in one or more of the following manners:

1. FDIC insurance coverage; or
2. Obligations of the United States or its agencies and instrumentalities.

B. Safekeeping

All purchased securities shall be held in safekeeping by the System, or a System account in a third party financial institution, or with the Federal Reserve Bank. All pledged securities by the Depository Bank shall be held in safekeeping by the System, or a System account in a third party financial institution, or with a Federal Reserve Bank.

C. Securities Lending

Securities owned by the System and held in custody by the System's custodian may only be lent to other parties through a contract between the System and the custodian pursuant to a written agreement approved by the Board of Regents. Neither custodians nor investment managers may enter into securities lending agreements without the consent of the Board of Regents. The System recognizes, however, that, for those investments placed in mutual funds, the Board cannot dictate whether or not the fund will engage in securities lending. Therefore, the System and its investment consultant (if any) shall make every effort either to avoid mutual funds that participate in securities lending, or to otherwise limit investment to those managers who will not engage in securities lending.

IX. Review and Modification of Policy

The Endowment Management Committee shall review this Policy at least once a year to determine if modifications are necessary or desirable. If substantive modifications are made, they shall be promptly communicated to responsible parties.

UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA

COMMITTEE: Endowment Management

ITEM: Approval to modify the University of Houston System Endowment Fund Statement of Investment Objectives and Policies

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

Approval is requested to modify the UH System Endowment Fund Statement of Investment Objectives and Policies to include those practices that are currently in place with the management of the endowment fund. The investment objectives section is updated to reflect the minimum real return expected over rolling five-year periods given the endowment's current spending rate, and an additional peer group, by which the endowment's performance is measured, has been added to this section. The asset allocation section is amended to include emerging market equities as a separate asset class from non-U.S. equities with a target allocation of 5% and a range of 2.5% to 7.5%, and there is a commensurate decrease in the non-U.S. equities target allocation from 25% to 20%. Lastly a section on alternative investment risks is added which identifies and defines the common risks associated with investing in alternatives and describes how these risks are mitigated.

SUPPORTING DOCUMENTATION: Blacklined and clean version of the policy

FISCAL NOTE:

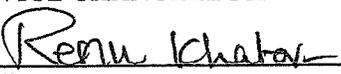
RECOMMENDATION/
ACTION REQUESTED: Administration recommends approval of this item

COMPONENT: University of Houston System



EXECUTIVE VICE CHANCELLOR Carl Carlucci

2/1/2011
DATE



CHANCELLOR Renu Khator

2/2/11
DATE

COMMITTEE REPORT

EM - 4.1

UNIVERSITY OF HOUSTON SYSTEM ENDOWMENT FUND
STATEMENT OF INVESTMENT OBJECTIVES AND POLICIES
Approved by the Board of Regents ~~February~~ November 16, 2010

PREFACE

The University of Houston System Board of Regents is charged with the fiduciary responsibility for preserving and augmenting the value of the endowment, thereby sustaining its ability to generate support for both current and future generations of students. As part of a commitment to long-range financial equilibrium, the Regents have adopted the broad objective of investing endowment assets so as to preserve both their real value and the long-range purchasing power of endowment income so as to keep pace with inflation and evolving university needs, while generally performing above the average of the markets in which the assets are invested. Pursuant to Board Bylaw, the Endowment Management Committee has been established as a standing committee to assist the Board in fulfilling its fiduciary responsibilities.

To achieve its investment objectives the University of Houston System retains independent investment managers each of whom plays a part in meeting the System's goals over a variety of capital market cycles. The Endowment Management Committee shall:

- a) Review and recommend to the Board changes to investment policies;
- b) Review and recommend to the Board the university advancement assessment rate;
- c) Review and recommend to the Board asset allocation long-term targets and ranges;
- d) Review and recommend to the Board external investment consultants;
- e) Monitor, evaluate, hire or terminate external investment managers;
- f) Establish investment manager guidelines;
- g) Monitor and adjust the actual allocation of assets through additions and withdrawals of funds among managers and investment media to conform to the long-term targets insofar as practical; and
- h) Oversee the results of the independent managers and report periodically to the Board and the university community.

FORWARD

This policy is intended to be ongoing until the next review is completed. Comprehensive reviews are to be completed every five years.

It is the general practice of the University of Houston System to pool endowment resources. For investment purposes however, the assets are managed in separate endowment fund accounts. The following statement sets out explicit policies for the

pooled endowment but would apply to non-pooled holdings as well. The Regents seek superior investment returns through professional management but not by assuming imprudent risks.

FINANCIAL OBJECTIVES

The primary long-term financial objective for the University endowment is to preserve the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, inflation, and costs of portfolio management. Performance of the overall endowment against this objective is measured over rolling periods of at least ten years, which should encompass several market cycles.

INVESTMENT OBJECTIVES

In order to meet the financial objective stated above, the primary long-term investment objective of the endowment is to earn a total rate of return that exceeds the spending rate plus the costs of managing the investment fund, and expressed in real (or inflation adjusted) terms. Given the current System spending rate of 7.6% (which includes 5.4% payout, 1.5% university advancement assessment, and 0.5% costs of managing the investment fund), the objective of this fund will be to earn a real (inflation adjusted) return of 7.0% when measured over rolling periods of at least five years. It is also understood that due to market conditions there may be five-year periods where this objective is exceeded and purchasing power is enhanced, as well as five-year periods where the objective is not met and purchasing power is diminished. The medium-term objective for the endowment is to outperform each of the capital markets in which assets are invested, measured over rolling periods of three to five years or complete market cycles, with emphasis on whichever measure is longer. In addition, the performance of the overall endowment is expected to be consistently in at least the second quartile of the ~~collegeuniversity's peer group, as measured by the NACUBO-Commonfund Annual Comparative Performance Survey~~ Study of Endowments of all educational endowments over rolling five-year time periods, as well as comparison annually to a peer group provided by another outside advisor. Thus, the Endowment Management Committee is responsible for allocating assets to segments of the market and to managers who will provide superior performance when compared with both managers of other educational endowments and with capital markets generally.

Finally, the total return of the University's investment portfolio should be evaluated against the return of a composite index consisting of appropriate benchmarks weighted according to the Endowment Management Committee's asset allocation targets.

INVESTMENT MANAGERS

In accordance with Board policy, hiring of investment consultants requires approval of the Board. Hiring of investment managers requires Endowment Management Committee approval except, when on the recommendation of the committee staff and the investment consultant, the chair of the Endowment Management Committee and the chair of the

Finance and Administration Committee jointly determine that time is of the essence and immediate action in lieu of a called committee meeting is necessary to hire or terminate an investment manager, the recommended change can then be made. The chair of the Endowment Management Committee will have the staff immediately report any such action taken to the members of the Endowment Management Committee and the Chairman of the Board of Regents after such action is taken.

Managers of marketable securities are expected to produce a cumulative annualized total return net of fees and commissions that exceeds an appropriate benchmark index over moving three to five-year periods, and should be above a median for active investment managers using similar investment philosophies over the same time periods. At their discretion, managers may hold cash reserves and fixed income securities up to 25% of portfolio market value with the understanding that their benchmark will not be adjusted to reflect cash holdings. Managers who wish to exceed these limits should secure prior approval from the Treasurer. The Treasurer, in turn, shall seek approval from the Executive Vice Chancellor or designee.

ENDOWMENT PAYOUT POLICY

The Regents of the University of Houston System have established an endowment payout policy which attempts to balance the long-term objective of maintaining the purchasing power of the endowment with the goal of providing a reasonable, predictable, stable, and sustainable level of income to support current needs. Payout is derived from interest, dividends and realized gains, net of portfolio management fees. The historical rate of payout has been 4 to 5 percent. Going forward, the endowment will maintain a payout rate of approximately 4% to 5%, with any change to this range to be approved by the Board. The payout rate will be based as a percentage of the fiscal year end market value average over rolling three year periods. If an endowment has been in existence less than three years, the average will be based on the number of years in existence.

UNIVERSITY ADVANCEMENT ASSESSMENT

The System will annually assess a reasonable fee against the earnings of specified endowment funds to offset expenses associated with gift acquisition and fundraising at the component universities. The Board shall annually review and approve the fee. The fee will be based as a percentage of the fiscal year end market value averaged over rolling three year periods. If an endowment has been in existence less than three years, the average will be based on the number of years in existence.

ASSET SELECTION AND ALLOCATION

It is understood that ownership assets (or equities) are to be the dominant asset class in the Endowment due to the superior long-term return offered by such assets. As such, equity assets may be thought of as the drivers of long-term Endowment return.

Although the long-term return from equity assets is superior, they have three primary drawbacks that must be addressed. The first is that periods of prolonged economic

contraction (deflation) can be catastrophic. Although such periods are rare, the results of such periods are severe enough to warrant holding a portion of the Endowment in assets (primarily intermediate to long-term high quality, non-callable fixed income securities), which are likely to appreciate in value during such periods. In this context, high quality shall mean a portfolio with an average credit quality of AA or better, although active managers may choose to hold select investment grade securities with lower ratings. The goal of such holdings would be to provide sufficient liquidity to the Endowment to meet payout needs over a three to five-year period without having to sell a significant portion of the equities at “fire-sale” prices. Adherence to this policy will keep equity holdings intact and allow the Endowment to reap the rewards of a return to a more normal economic environment.

The second drawback to a reliance on equity ownership is the effects of an unexpected rise in the rate of inflation. Such rises have traditionally been problematic for most types of equity assets, and given the System’s stated goal of preserving purchasing power by achieving an attractive inflation adjusted return, some portion of the Endowment should be invested in assets that will appreciate in value during periods of unexpected inflation.

Lastly, equity assets are subject to greater degrees of risk. Risk takes many forms and is usually thought of in terms of volatility of investment returns. Volatile investment returns translate into a level of support for the System’s programs that (even with the smoothing effect of the rolling three-year average market value payout rule) is variable over time. In order to control this variability to a tolerable level, some allocation is warranted to assets that produce attractive returns, but in a more absolute (or less variable) pattern. It is understood that such absolute return assets will invariably return less than equity assets, given rational markets.

After providing for the three broad categories noted above, the remainder of the Endowment should be invested in equity assets, broadly defined and broadly diversified. Broad diversification is required not only to further smooth the pattern of returns, but to protect the endowment from the risks associated with undue concentration in any one type of equity asset. Although other forms of diversification may be considered, it is understood that the Endowment’s equity assets will be diversified by style (growth versus value), geography (domestic versus foreign), and market capitalization (large-cap versus small).

Current policy targets and ranges for the Endowment are as follows:

	Long-Term <u>Target</u>	<u>Range</u>
Risk Controlling Assets	32.5%	30 to 50%
Deflation Protection (high quality bonds)	15%	10 to 30%
Inflation Protection	10%	5 to 15%

Assets to be considered for inclusion in this category include: Real Estate/REITs, TIPS (Treasury Inflation Protected Securities), and Energy or Commodities.

Absolute Return	7.5%	5 to 15%
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Assets to be considered for inclusion in this category would primarily include defensive arbitrage or absolute return funds. Bonds may also be held in some circumstances as absolute return vehicles, and in some circumstances a particular real estate manager may be viewed to qualify as such a holding as well.

Drivers of Return	67.5%	50 to 70%
Domestic Mid to Large Cap Equities	22.5%	15 to 35%
Domestic Small-cap Equities	2.5%	0 to 10%

Large and mid-cap equities are defined as the 1000 largest companies traded in the United States, while small cap equities are considered to be the next 2000 stocks in terms of size. This characterization is compatible with the constitution of the Russell 1000, Russell 2000 and Russell 3000 Indexes.

35%	Non U.S. Equities	25-20%	15 to
	<u>Emerging Market Equities</u>	5%	2.5 to 7.5%
	Long/Short Equity Managers	7.5%	5 to 15%
	Non Marketable Equity Managers	10%	0 to 12%

Managers to be considered for inclusion in this category include private equity or venture capital managers, as well as real estate funds with comparable expected returns, and other funds subject to multi-year lock-ups.

Alternative Investment Risks

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For the purposes of this section, "alternative investments" refers to investments in long/short equity, absolute return, private equity, private real estate and venture capital, as well as other investments employing leverage, short sales, or illiquid investment vehicles. The investments are made in the Endowment in order to improve diversification, reduce overall volatility, and enhance return. However, the Endowment Management Committee recognizes that these investments also present additional risks beyond those posed by investments in traditional marketable securities such as stocks and bonds. Among these risks are:

1. *Liquidity Risk*: most alternative investments impose restrictions on redemptions or require multi-year locks.

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a. This risk is mitigated by imposing restrictions on the amount of the Endowment that may be allocated to alternative investments as detailed above. In addition, the Endowment Management Committee will review at least annually the level of portfolio liquidity across all asset classes in order to ensure that there is sufficient liquidity to meet all obligations.

2. *Non-regulation risk*: Historically, alternative managers have been exempt from registration with the SEC, which has allowed them to employ strategies (such as short sales and use of leverage) forbidden by most traditional investment managers, as well as to avoid disclosing specific details of their investment practices or portfolio holdings.

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a. With the passage of the Dodd-Frank Act of 2010, almost all alternative investment managers will be required to register with the SEC under the Investment Advisers Act of 1940. This Act will require registered managers to file documents with the SEC and for public record describing the nature of the business, fees charged, types of clients, and details on compliance policies. It will also provide to investors a greater level of detail into portfolio strategy and investment.

b. Venture capital managers will, however, remain exempt from the Investment Advisers Act and will therefore remain unregistered with the SEC.

i. This risk will be mitigated by performing detailed due diligence on these managers and monitoring them regularly as described below, as well as by diversifying manager risk through multiple direct and fund-of-fund investments.

3. *Transparency Risk*: alternative managers are not required to disclose portfolio holding details to the same extent that traditional marketable managers are, and are often reluctant to do so in order to preserve their perceived advantage over other investors.

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a. This risk will be mitigated somewhat by the Dodd-Frank Act and the increased transparency provided by the requirement to file Form ADV with the SEC. Beyond that, however, the Endowment Management Committee, staff, and any outside advisors shall emphasize those managers who will provide at least the following level of detail into their investment portfolios:

i. Number of short and long positions

ii. The use of leverage

iii. Net market exposure

4. Investment Strategy Risk: alternatives often employ sophisticated and potentially riskier strategies, and may use leverage.

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a. This risk will be mitigated by intensive due diligence and monitoring of potential alternative managers described below. An emphasis will be placed on those managers who have extensive experience in employing these strategies, a demonstrated ability to consistently employ them effectively, and an established track record of superior performance.

5. Foreign Currency Risk: changes in exchange rates could adversely affect fair value of the Endowment Fund.

a. The Endowment Management Committee recognizes that exposure to foreign currency acts as a hedge against a declining or collapsing dollar. In this way, such investments help to reduce risk in the portfolio. However, the Committee will review the level of exposure to foreign currencies periodically in order to ensure that there are no unintended risks in the portfolio.

The following principles shall guide the selection of alternative investment managers:

- Diversify across managers to mitigate systematic and organizational risk, but avoid over-diversification.
- Diversify by strategy and geography to decrease correlations within the program.
- Emphasize qualitative evaluation of managers, as a manager's quantitative characteristics may change over time and in different market conditions.
- Discourage the use of significant leverage, and emphasize managers with a demonstrated skill in generating returns on assets as opposed to returns on equity.
- Avoid strategies that are trading oriented, highly complex, or quantitatively driven.

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In addition, the investment manager due diligence process shall include the following functions, to be performed by some combination of outside consultants/advisors and internal staff:

- Background checks
 - o Reference checks
 - o News searches
 - o Industry consultation
- Review of vendor relationships
 - o Prime brokers
 - o Auditors
 - o Fund administrators

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- Legal counsel
- Operational review
 - On site visits
 - Procedural
 - Organizational

Monitoring of the overall program-level and manager-level exposures and investment results shall be administered in accordance with the following schedule by some combination of outside consultants/advisors and internal staff:

Monthly (For Long/Short Equity and Absolute Return Managers)

- Reports of performance and asset allocation. ◀
- Proactive contact with investment managers whose performance falls outside of the expected range.

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Quarterly or Semi-Annually

- Calls with investment managers. ◀
- For long/short equity and absolute return managers, detailed performance reports and analysis providing information such as top long positions, net and gross exposures, exposure by strategy and geography, and organizational changes.

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Annually

- On site meetings with managers and attendance at annual meetings. ◀

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The Endowment Management Committee reviews and recommends to the Board the above asset allocation long-term targets and ranges, and the actual allocation of assets will be adjusted through additions and withdrawals of funds among managers and investment media to conform to these targets insofar as practical.

REBALANCING

In addition to rebalancing through the deployment of cash flows, the Endowment Management Committee (“Committee”) should consider rebalancing whenever an exposure is meaningfully overweight or underweight its target, and must rebalance to the upper range of the asset class once an exposure is 5% or more beyond the range specified for that asset class as measured at the end of the month.

Between meetings of the Committee, should the exposure for any asset class reach a level of 5% or more beyond the uppermost limit of the specified range as measured at the end of the month, the Treasurer shall consult with the System’s Investment Consultant (if any) and make a recommendation to the Executive Vice Chancellor or designee as to the appropriate rebalancing actions to take. By mutual agreement, those parties may then proceed either to take what rebalancing actions they deem to be reasonable and practical or, in the alternative, the Executive Vice Chancellor may notify the Committee Chair who may call a special meeting of the Committee. Any rebalancing actions taken by the Treasurer, Executive Vice Chancellor or designee, and Investment Consultant shall be communicated to the entire Committee by the Executive Vice Chancellor in a timely matter but in any case, no later than the next Committee meeting.

Between meetings of the Committee, should the exposure of any asset class reach a level of 5% or more below the lower end of the specified range, as measured at the end of the month, or the System receives an inflow at any one time that is more than 3% of the total market value of the endowment, the Executive Vice Chancellor shall notify the Committee Chair who shall convene a special meeting of the Committee to be held as soon as practical.

INVESTMENT MANAGEMENT

The endowment of the System will be managed primarily by external investment management organizations. Investment managers have discretion to manage the assets in each portfolio to best achieve the investment objectives, within the policies and requirements set forth in this statement, the investment manager agreement with the System including the guidelines for each investment manager, and subject to the usual standards of fiduciary prudence.

Each active investment manager with whom the System has a separate account will be provided with written statements of investment objectives and guidelines as part of the investment management contract that will govern his or her portfolio. These objectives shall describe the role the investment manager is expected to play within the manager structure, the objectives and comparative benchmarks that will be used to evaluate performance, and the allowable securities that can be used to achieve these objectives. Each manager will report performance quarterly, and if applicable monthly, consistent with these objectives and also indicate current annualized income and yield. These statements will be consistent with the Statement of Investment Objectives and Policies for the overall endowment as set forth herein. Investment managers will be provided with a copy of the Statement of Investment Objectives and Policies.

Additionally, each manager will be expected to use best efforts to realize the best execution price when trading securities and the settlement of all transactions (except investment pool funds and mutual funds) shall be done on a delivery versus payment basis.

SECURITIES LENDING

Securities owned by the endowment but held in custody by the endowment custodian may be lent to other parties through a contract between the University of Houston System and the custodian pursuant to a written agreement approved by the Board of Regents. Managers may not enter into securities lending agreements without the consent of the Board of Regents. The System recognizes, however, that, for those investments placed in commingled vehicles, the Board cannot dictate whether or not the manager will engage in securities lending. Therefore, System and its investment consultant (if any) shall make every effort either to avoid commingled investments, or to otherwise limit investment to those managers who will not engage in securities lending. The limited partnerships of marketable and non-marketable alternative investments are excluded from this limitation.

PROXY VOTING

COMMITTEE REPORT

Investment managers are responsible for voting proxies on behalf of the University of Houston System. When the manager is analyzing a proxy voting issue for the endowment and deciding how to vote, they should take into consideration the general positions of the Board of Regents as described in guidelines provided to each manager.

ADVISORY COMMITTEES

The Endowment Management Committee may establish advisory groups to provide general investment advice, as well as advice on special investments, to the Endowment Management Committee and the staff of the Executive Vice Chancellor for Administration and Finance.

REVIEW PROCEDURES

A. Performance Measurement

The Endowment Management Committee intends to review quarterly the performance of the endowment and each investment manager's portfolio relative to the objectives and guidelines described herein. The investment performance review will include comparisons with unmanaged market indices and the Consumer Price Index. A time-weighted return formula (that minimizes the effect of contributions and withdrawals) will be utilized for the overall endowment, although it is understood that individual managers may be evaluated using a dollar-weighted methodology, where appropriate.

B. Review and Modification of Policy

The Endowment Management Committee shall review this Policy at least once a year to determine if modifications are necessary or desirable. If substantive modifications are made, they shall be promptly communicated to responsible parties.

UNIVERSITY OF HOUSTON SYSTEM ENDOWMENT FUND
STATEMENT OF INVESTMENT OBJECTIVES AND POLICIES
Approved by the Board of Regents November 16, 2010

PREFACE

The University of Houston System Board of Regents is charged with the fiduciary responsibility for preserving and augmenting the value of the endowment, thereby sustaining its ability to generate support for both current and future generations of students. As part of a commitment to long-range financial equilibrium, the Regents have adopted the broad objective of investing endowment assets so as to preserve both their real value and the long-range purchasing power of endowment income so as to keep pace with inflation and evolving university needs, while generally performing above the average of the markets in which the assets are invested. Pursuant to Board Bylaw, the Endowment Management Committee has been established as a standing committee to assist the Board in fulfilling its fiduciary responsibilities.

To achieve its investment objectives the University of Houston System retains independent investment managers each of whom plays a part in meeting the System's goals over a variety of capital market cycles. The Endowment Management Committee shall:

- a) Review and recommend to the Board changes to investment policies;
- b) Review and recommend to the Board the university advancement assessment rate;
- c) Review and recommend to the Board asset allocation long-term targets and ranges;
- d) Review and recommend to the Board external investment consultants;
- e) Monitor, evaluate, hire or terminate external investment managers;
- f) Establish investment manager guidelines;
- g) Monitor and adjust the actual allocation of assets through additions and withdrawals of funds among managers and investment media to conform to the long-term targets insofar as practical; and
- h) Oversee the results of the independent managers and report periodically to the Board and the university community.

FORWARD

This policy is intended to be ongoing until the next review is completed. Comprehensive reviews are to be completed every five years.

It is the general practice of the University of Houston System to pool endowment resources. For investment purposes however, the assets are managed in separate endowment fund accounts. The following statement sets out explicit policies for the

pooled endowment but would apply to non-pooled holdings as well. The Regents seek superior investment returns through professional management but not by assuming imprudent risks.

FINANCIAL OBJECTIVES

The primary long-term financial objective for the University endowment is to preserve the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, inflation, and costs of portfolio management. Performance of the overall endowment against this objective is measured over rolling periods of at least ten years, which should encompass several market cycles.

INVESTMENT OBJECTIVES

In order to meet the financial objective stated above, the primary long-term investment objective of the endowment is to earn a total rate of return that exceeds the spending rate plus the costs of managing the investment fund, and expressed in real (or inflation adjusted) terms. Given the current System spending rate of 6% (which includes 4% payout, 1.5% university advancement assessment, and 0.5% costs of managing the investment fund), the objective of this fund will be to earn a real (inflation adjusted) return of 6.0% when measured over rolling periods of at least five years. It is also understood that due to market conditions there may be five-year periods where this objective is exceeded and purchasing power is enhanced, as well as five-year periods where the objective is not met and purchasing power is diminished. The medium-term objective for the endowment is to outperform each of the capital markets in which assets are invested, measured over rolling periods of three to five years or complete market cycles, with emphasis on whichever measure is longer. In addition, the performance of the overall endowment is expected to be consistently in at least the second quartile of the university's peer group, as measured by the NACUBO-Commonfund Study of Endowments over rolling five-year time periods, as well as comparison annually to a peer group provided by an outside advisor. Thus, the Endowment Management Committee is responsible for allocating assets to segments of the market and to managers who will provide superior performance when compared with both managers of other educational endowments and with capital markets generally.

Finally, the total return of the University's investment portfolio should be evaluated against the return of a composite index consisting of appropriate benchmarks weighted according to the Endowment Management Committee's asset allocation targets.

INVESTMENT MANAGERS

In accordance with Board policy, hiring of investment consultants requires approval of the Board. Hiring of investment managers requires Endowment Management Committee approval except, when on the recommendation of the committee staff and the investment consultant, the chair of the Endowment Management Committee and the chair of the Finance and Administration Committee jointly determine that time is of the essence and

immediate action in lieu of a called committee meeting is necessary to hire or terminate an investment manager, the recommended change can then be made. The chair of the Endowment Management Committee will have the staff immediately report any such action taken to the members of the Endowment Management Committee and the Chairman of the Board of Regents after such action is taken.

Managers of marketable securities are expected to produce a cumulative annualized total return net of fees and commissions that exceeds an appropriate benchmark index over moving three to five-year periods, and should be above a median for active investment managers using similar investment philosophies over the same time periods. At their discretion, managers may hold cash reserves and fixed income securities up to 25% of portfolio market value with the understanding that their benchmark will not be adjusted to reflect cash holdings. Managers who wish to exceed these limits should secure prior approval from the Treasurer. The Treasurer, in turn, shall seek approval from the Executive Vice Chancellor or designee.

ENDOWMENT PAYOUT POLICY

The Regents of the University of Houston System have established an endowment payout policy which attempts to balance the long-term objective of maintaining the purchasing power of the endowment with the goal of providing a reasonable, predictable, stable, and sustainable level of income to support current needs. Payout is derived from interest, dividends and realized gains, net of portfolio management fees. The historical rate of payout has been 4 to 5 percent. Going forward, the endowment will maintain a payout rate of approximately 4% to 5%, with any change to this range to be approved by the Board. The payout rate will be based as a percentage of the fiscal year end market value average over rolling three year periods. If an endowment has been in existence less than three years, the average will be based on the number of years in existence.

UNIVERSITY ADVANCEMENT ASSESSMENT

The System will annually assess a reasonable fee against the earnings of specified endowment funds to offset expenses associated with gift acquisition and fundraising at the component universities. The Board shall annually review and approve the fee. The fee will be based as a percentage of the fiscal year end market value averaged over rolling three year periods. If an endowment has been in existence less than three years, the average will be based on the number of years in existence.

ASSET SELECTION AND ALLOCATION

It is understood that ownership assets (or equities) are to be the dominant asset class in the Endowment due to the superior long-term return offered by such assets. As such, equity assets may be thought of as the drivers of long-term Endowment return.

Although the long-term return from equity assets is superior, they have three primary drawbacks that must be addressed. The first is that periods of prolonged economic contraction (deflation) can be catastrophic. Although such periods are rare, the results of

such periods are severe enough to warrant holding a portion of the Endowment in assets (primarily intermediate to long-term high quality, non-callable fixed income securities), which are likely to appreciate in value during such periods. In this context, high quality shall mean a portfolio with an average credit quality of AA or better, although active managers may choose to hold select investment grade securities with lower ratings. The goal of such holdings would be to provide sufficient liquidity to the Endowment to meet payout needs over a three to five-year period without having to sell a significant portion of the equities at “fire-sale” prices. Adherence to this policy will keep equity holdings intact and allow the Endowment to reap the rewards of a return to a more normal economic environment.

The second drawback to a reliance on equity ownership is the effects of an unexpected rise in the rate of inflation. Such rises have traditionally been problematic for most types of equity assets, and given the System’s stated goal of preserving purchasing power by achieving an attractive inflation adjusted return, some portion of the Endowment should be invested in assets that will appreciate in value during periods of unexpected inflation.

Lastly, equity assets are subject to greater degrees of risk. Risk takes many forms and is usually thought of in terms of volatility of investment returns. Volatile investment returns translate into a level of support for the System’s programs that (even with the smoothing effect of the rolling three-year average market value payout rule) is variable over time. In order to control this variability to a tolerable level, some allocation is warranted to assets that produce attractive returns, but in a more absolute (or less variable) pattern. It is understood that such absolute return assets will invariably return less than equity assets, given rational markets.

After providing for the three broad categories noted above, the remainder of the Endowment should be invested in equity assets, broadly defined and broadly diversified. Broad diversification is required not only to further smooth the pattern of returns, but to protect the endowment from the risks associated with undue concentration in any one type of equity asset. Although other forms of diversification may be considered, it is understood that the Endowment’s equity assets will be diversified by style (growth versus value), geography (domestic versus foreign), and market capitalization (large-cap versus small).

Current policy targets and ranges for the Endowment are as follows:

	Long-Term <u>Target</u>	<u>Range</u>
Risk Controlling Assets	32.5%	30 to 50%
Deflation Protection (high quality bonds)	15%	10 to 30%
Inflation Protection	10%	5 to 15%

Assets to be considered for inclusion in this category include: Real Estate/REITs, TIPS (Treasury Inflation Protected Securities), and Energy or Commodities.

COMMITTEE REPORT

Absolute Return	7.5%	5 to 15%
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Assets to be considered for inclusion in this category would primarily include defensive arbitrage or absolute return funds. Bonds may also be held in some circumstances as absolute return vehicles, and in some circumstances a particular real estate manager may be viewed to qualify as such a holding as well.

Drivers of Return	67.5%	50 to 70%
Domestic Mid to Large Cap Equities	22.5%	15 to 35%
Domestic Small-cap Equities	2.5%	0 to 10%

Large and mid-cap equities are defined as the 1000 largest companies traded in the United States, while small cap equities are considered to be the next 2000 stocks in terms of size. This characterization is compatible with the constitution of the Russell 1000, Russell 2000 and Russell 3000 Indexes.

Non U.S. Equities	20%	15 to 35%
Emerging Market Equities	5%	2.5 to 7.5%
Long/Short Equity Managers	7.5%	5 to 15%
Non Marketable Equity Managers	10%	0 to 12%

Managers to be considered for inclusion in this category include private equity or venture capital managers, as well as real estate funds with comparable expected returns, and other funds subject to multi-year lock-ups.

Alternative Investment Risks

For the purposes of this section, “alternative investments” refers to investments in long/short equity, absolute return, private equity, private real estate and venture capital, as well as other investments employing leverage, short sales, or illiquid investment vehicles. The investments are made in the Endowment in order to improve diversification, reduce overall volatility, and enhance return. However, the Endowment Management Committee recognizes that these investments also present additional risks beyond those posed by investments in traditional marketable securities such as stocks and bonds. Among these risks are:

1. *Liquidity Risk*: most alternative investments impose restrictions on redemptions or require multi-year locks.
 - a. This risk is mitigated by imposing restrictions on the amount of the Endowment that may be allocated to alternative investments as detailed above. In addition, the Endowment Management Committee will review at

least annually the level of portfolio liquidity across all asset classes in order to ensure that there is sufficient liquidity to meet all obligations.

2. *Non-regulation risk:* Historically, alternative managers have been exempt from registration with the SEC, which has allowed them to employ strategies (such as short sales and use of leverage) forbidden by most traditional investment managers, as well as to avoid disclosing specific details of their investment practices or portfolio holdings.
 - a. With the passage of the Dodd-Frank Act of 2010, almost all alternative investment managers will be required to register with the SEC under the Investment Advisers Act of 1940. This Act will require registered managers to file documents with the SEC and for public record describing the nature of the business, fees charged, types of clients, and details on compliance policies. It will also provide to investors a greater level of detail into portfolio strategy and investment.
 - b. Venture capital managers will, however, remain exempt from the Investment Advisers Act and will therefore remain unregistered with the SEC.
 - i. This risk will be mitigated by performing detailed due diligence on these managers and monitoring them regularly as described below, as well as by diversifying manager risk through multiple direct and fund-of-fund investments.
3. *Transparency Risk:* alternative managers are not required to disclose portfolio holding details to the same extent that traditional marketable managers are, and are often reluctant to do so in order to preserve their perceived advantage over other investors.
 - a. This risk will be mitigated somewhat by the Dodd-Frank Act and the increased transparency provided by the requirement to file Form ADV with the SEC. Beyond that, however, the Endowment Management Committee, staff, and any outside advisors shall emphasize those managers who will provide at least the following level of detail into their investment portfolios:
 - i. Number of short and long positions
 - ii. The use of leverage
 - iii. Net market exposure
4. *Investment Strategy Risk:* alternatives often employ sophisticated and potentially riskier strategies, and may use leverage.

- a. This risk will be mitigated by intensive due diligence and monitoring of potential alternative managers described below. An emphasis will be placed on those managers who have extensive experience in employing these strategies, a demonstrated ability to consistently employ them effectively, and an established track record of superior performance.
5. *Foreign Currency Risk*: changes in exchange rates could adversely affect fair value of the Endowment Fund.
- a. The Endowment Management Committee recognizes that exposure to foreign currency acts as a hedge against a declining or collapsing dollar. In this way, such investments help to reduce risk in the portfolio. However, the Committee will review the level of exposure to foreign currencies periodically in order to ensure that there are no unintended risks in the portfolio.

The following principles shall guide the selection of alternative investment managers:

- Diversify across managers to mitigate systematic and organizational risk, but avoid over-diversification.
- Diversify by strategy and geography to decrease correlations within the program.
- Emphasize qualitative evaluation of managers, as a manager's quantitative characteristics may change over time and in different market conditions.
- Discourage the use of significant leverage, and emphasize managers with a demonstrated skill in generating returns on assets as opposed to returns on equity.
- Avoid strategies that are trading oriented, highly complex, or quantitatively driven.

In addition, the investment manager due diligence process shall include the following functions, to be performed by some combination of outside consultants/advisors and internal staff:

- Background checks
 - o Reference checks
 - o News searches
 - o Industry consultation
- Review of vendor relationships
 - o Prime brokers
 - o Auditors
 - o Fund administrators
 - o Legal counsel
- Operational review
 - o On site visits
 - o Procedural
 - o Organizational

Monitoring of the overall program-level and manager-level exposures and investment results shall be administered in accordance with the following schedule by some combination of outside consultants/advisors and internal staff:

COMMITTEE REPORT

Monthly (For Long/Short Equity and Absolute Return Managers)

- Reports of performance and asset allocation.
- Proactive contact with investment managers whose performance falls outside of the expected range.

Quarterly or Semi-Annually

- Calls with investment managers.
- For long/short equity and absolute return managers, detailed performance reports and analysis providing information such as top long positions, net and gross exposures, exposure by strategy and geography, and organizational changes.

Annually

- On site meetings with managers and attendance at annual meetings.

The Endowment Management Committee reviews and recommends to the Board the above asset allocation long-term targets and ranges, and the actual allocation of assets will be adjusted through additions and withdrawals of funds among managers and investment media to conform to these targets insofar as practical.

REBALANCING

In addition to rebalancing through the deployment of cash flows, the Endowment Management Committee (“Committee”) should consider rebalancing whenever an exposure is meaningfully overweight or underweight its target, and must rebalance to the upper range of the asset class once an exposure is 5% or more beyond the range specified for that asset class as measured at the end of the month.

Between meetings of the Committee, should the exposure for any asset class reach a level of 5% or more beyond the uppermost limit of the specified range as measured at the end of the month, the Treasurer shall consult with the System’s Investment Consultant (if any) and make a recommendation to the Executive Vice Chancellor or designee as to the appropriate rebalancing actions to take. By mutual agreement, those parties may then proceed either to take what rebalancing actions they deem to be reasonable and practical or, in the alternative, the Executive Vice Chancellor may notify the Committee Chair who may call a special meeting of the Committee. Any rebalancing actions taken by the Treasurer, Executive Vice Chancellor or designee, and Investment Consultant shall be communicated to the entire Committee by the Executive Vice Chancellor in a timely matter but in any case, no later than the next Committee meeting.

Between meetings of the Committee, should the exposure of any asset class reach a level of 5% or more below the lower end of the specified range, as measured at the end of the month, or the System receives an inflow at any one time that is more than 3% of the total market value of the endowment, the Executive Vice Chancellor shall notify the Committee Chair who shall convene a special meeting of the Committee to be held as soon as practical.

COMMITTEE REPORT

INVESTMENT MANAGEMENT

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REVIEW PROCEDURES

A. Performance Measurement

The Endowment Management Committee intends to review quarterly the performance of the endowment and each investment manager's portfolio relative to the objectives and guidelines described herein. The investment performance review will include comparisons with unmanaged market indices and the Consumer Price Index. A time-weighted return formula (that minimizes the effect of contributions and withdrawals) will be utilized for the overall endowment, although it is understood that individual managers may be evaluated using a dollar-weighted methodology, where appropriate.

B. Review and Modification of Policy

The Endowment Management Committee shall review this Policy at least once a year to determine if modifications are necessary or desirable. If substantive modifications are made, they shall be promptly communicated to responsible parties.



**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS**

**BOARD
AGENDA
ITEMS**

FEBRUARY 16, 2011

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE:

ITEM: Update regarding the Texas Higher Education Coordinating Board's (THECB) legislative initiatives by Commissioner Raymund Paredes

DATE-PREVIOUSLY SUBMITTED:

SUMMARY:

Dr. Raymund A. Paredes, Commissioner of the Texas Higher Education Coordinating Board (THECB) will update the UH System Board of Regents concerning the THECB's legislative initiatives.

**SUPPORTING
DOCUMENTATION:**

FISCAL NOTE:

**RECOMMENDATION/
ACTION REQUESTED:** Information

COMPONENT: University of Houston System

Renu Khator
CHANCELLOR

Renu Khator

2-2-11
DATE

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE:

ITEM: Presentation on the Faculty Senate response to the budget and faculty workload issues

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

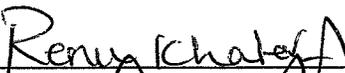
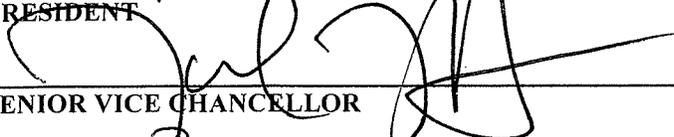
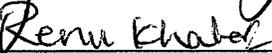
Dr. Monica McHenry, President of the Faculty Senate for the University of Houston, will provide the Board with information on the Faculty Senate response to the budget and faculty workload issues.

SUPPORTING DOCUMENTATION:

FISCAL NOTE:

**RECOMMENDATION/
ACTION REQUESTED:** Information

COMPONENT: University of Houston

PRESIDENT	 Renu Khator	2-2-11 DATE
SENIOR VICE CHANCELLOR	 John Antel	2/3/11 DATE
CHANCELLOR	 Renu Khator	2-2-11 DATE

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE:

ITEM: Presentation of anticipated legislative budget actions and their impact on the University of Houston System.

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

Senior Vice Chancellor/Vice President for Academic Affairs John Antel, Executive Vice Chancellor/Vice President for Finance and Administration Carl Carlucci, and Vice Chancellor/Vice President for Governmental Relations Grover Campbell will provide a summary of the anticipated legislative budget actions and their impact on the University of Houston System

SUPPORTING DOCUMENTATION: None

FISCAL NOTE: None

**RECOMMENDATION/
ACTION REQUESTED:** Information

COMPONENT: University of Houston System

Renu Khator
CHANCELLOR

Renu Khator

2-2-11
DATE

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE:

ITEM: Introduction of Erica Fletcher, student role model, who will discuss her career as an undergraduate researcher.

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

Dr. Stuart Long Interim, Vice President for Research, will introduce outstanding Honors College graduating senior Erica Fletcher who will discuss her career as an undergraduate researcher at the University of Houston.

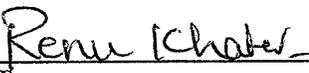
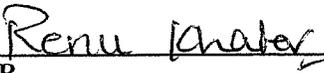
SUPPORTING

DOCUMENTATION: Brief biographical information and power point presentation

FISCAL NOTE: None

**RECOMMENDATION/
ACTION REQUESTED:** Information

COMPONENT: University of Houston

PRESIDENT		Renu Khator	2-2-11
			DATE
VICE CHANCELLOR		Stuart Long	2-3-11
			DATE
CHANCELLOR		Renu Khator	2-2-11
			DATE

Erica Fletcher

Erica Fletcher is a University of Houston Honors College graduating senior. She is a finalist for the Rhodes Scholarship. She is also one of 15 students in the region that includes Texas to be named a finalist for the Marshall Scholarship. In addition, she was named one of "2010's Top 10 College Women" by Glamour magazine in September 2010.

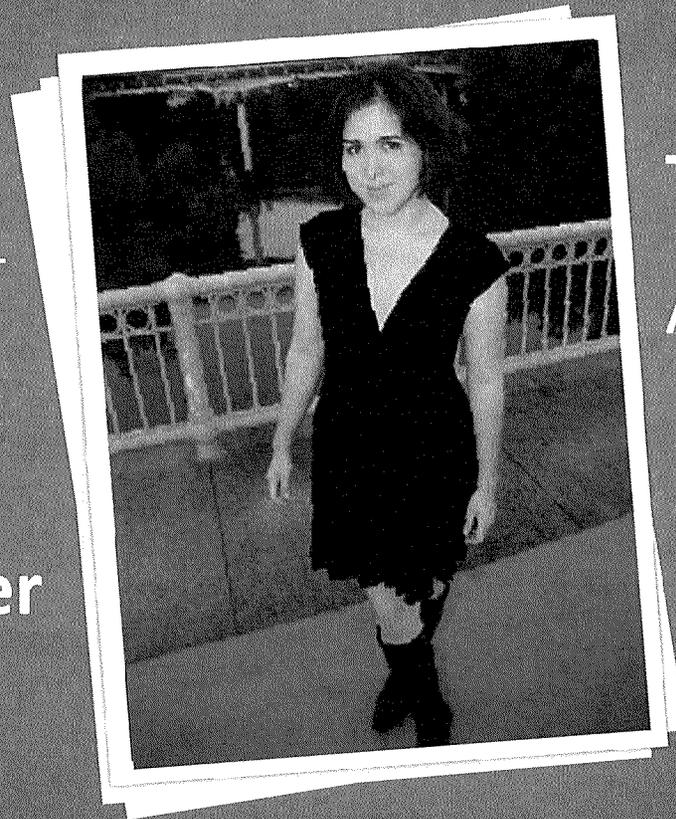
In her February 16, 2011 presentation to the University of Houston System Board of Regents, Erica will discuss her career as an undergraduate researcher at the University of Houston. She produced "Marianismo," a documentary on HIV positive Latina women in Houston. In addition to the UH showings, this documentary was screened at the Houston Museum of Fine Arts, the Thomas Street Health Center, and the AIDS Foundation of Houston. Erica's latest documentary, which will serve as her Senior Honors Thesis, is on human trafficking in Houston. Erica is mentored by Drs. Jerome Crowder and Daniel Price. Erica ultimately plans to pursue an advanced degree in visual anthropology.

ERICA FLETCHER

Honors College

May 2011

Filmmaker



Triple Major:

Anthropology

Sociology

Psychology



“Marianismo”

Screenings:

University of Houston

Museum of Fine Arts Houston

AIDS Foundation of Houston

Thomas Street Health Center

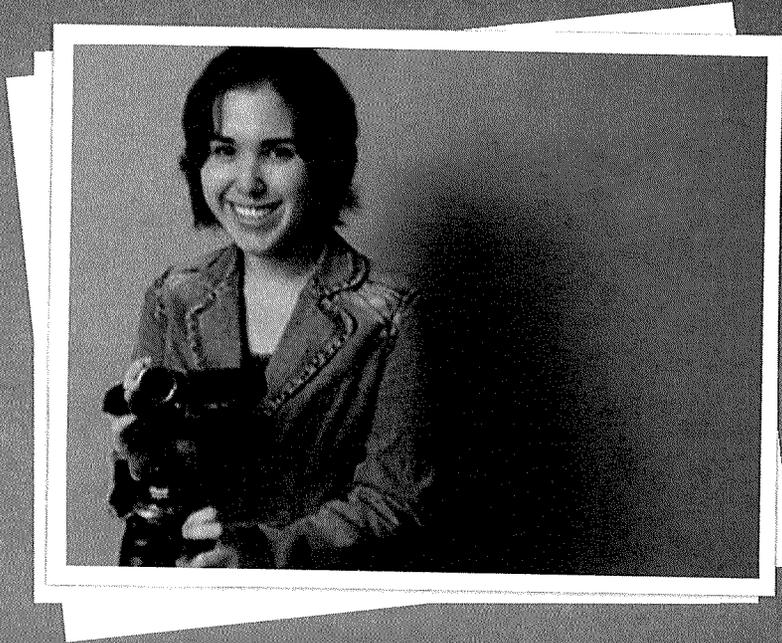
Voices Breaking Boundaries

series "La Voz Femenina"

2010's Top 10 College Women
by **Glamour** magazine, Sep. 2010

Finalist:

Rhodes &
Marshall
Scholarships



Next Film:

Human Trafficking in Houston
(Senior Honors Thesis)

Education:

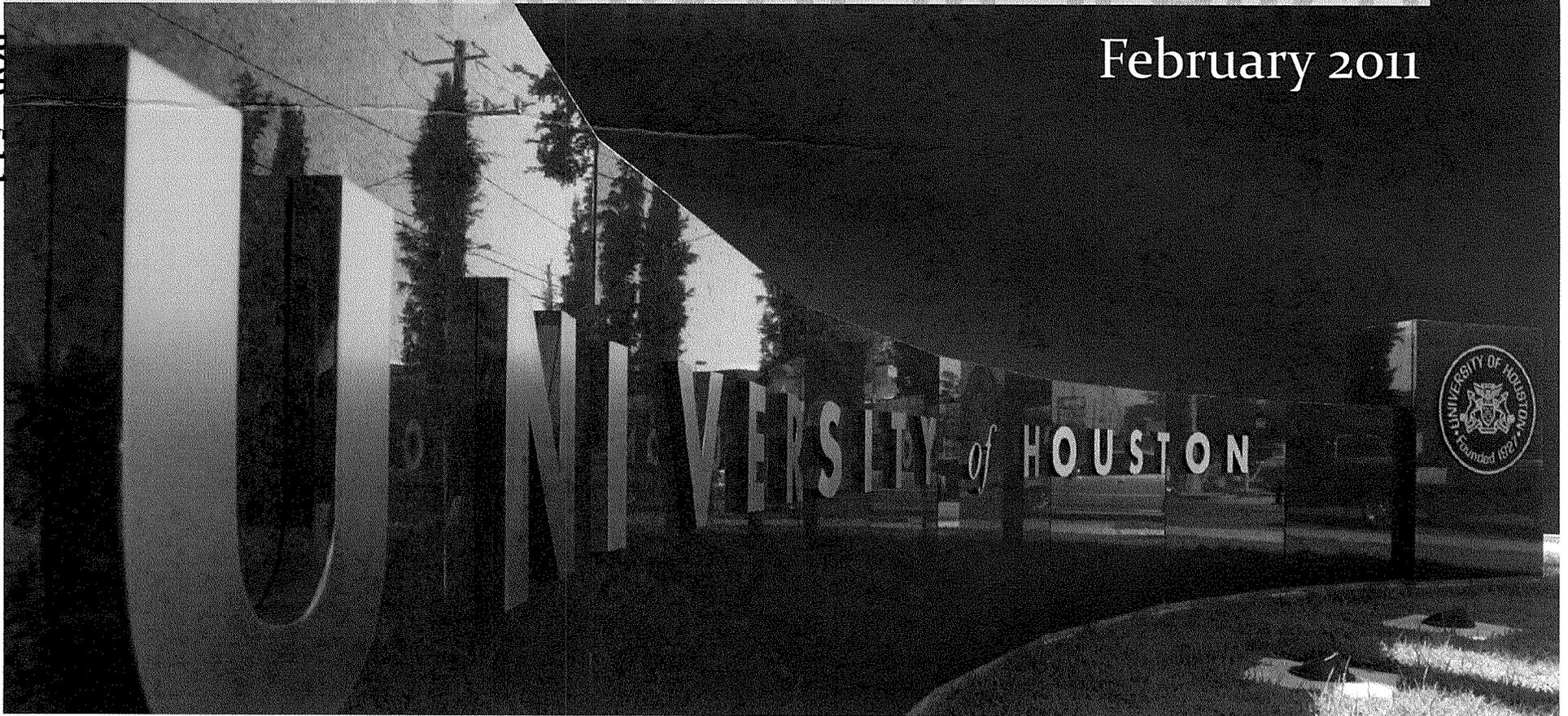
Applying for programs in
Visual and Medical Anthropology

Board of Regents

DIVISION OF RESEARCH

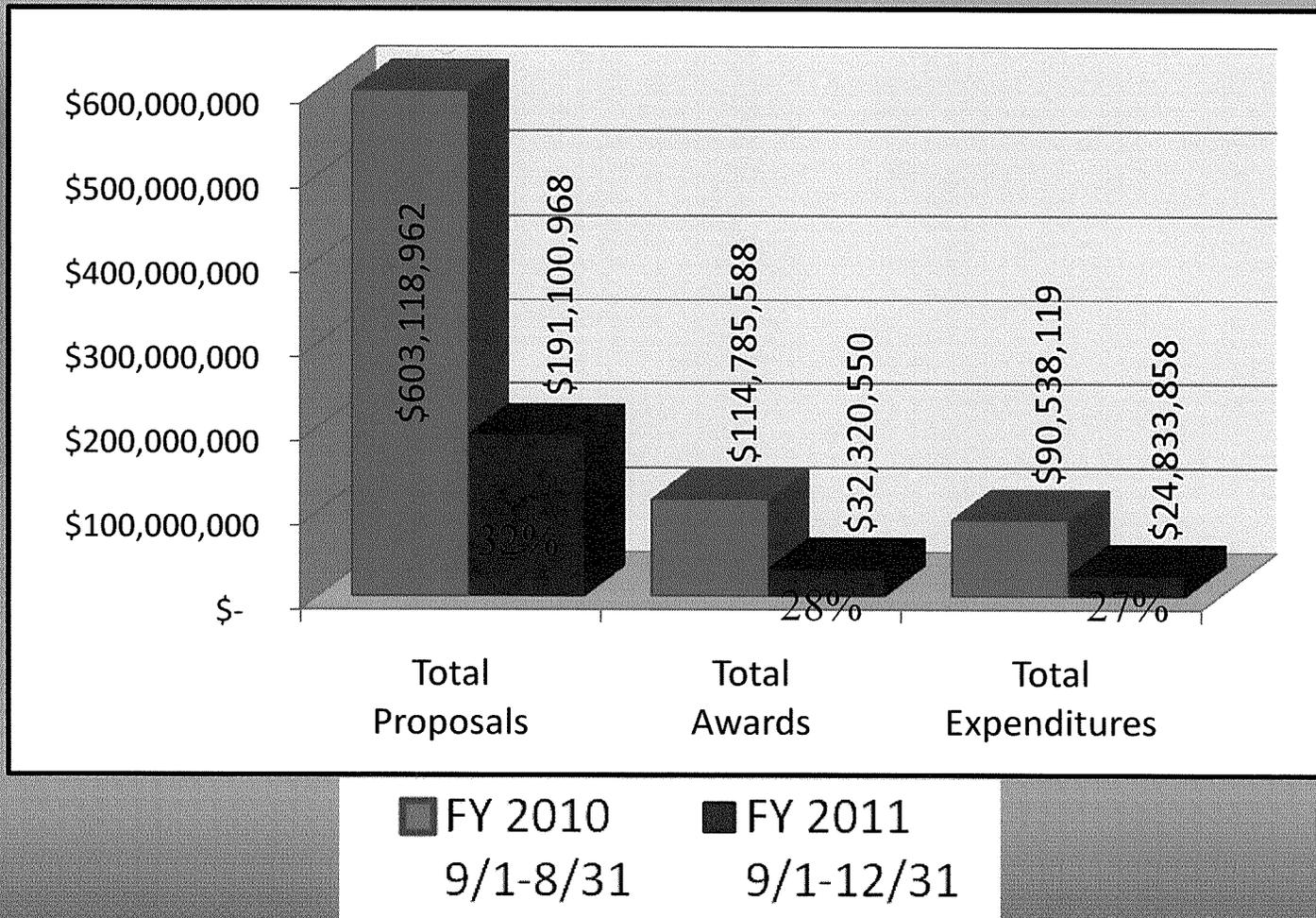
February 2011

BOR - 51.1



Proposals, Awards and Expenditures

BOR - 5.1.2



Office of Intellectual Property Management (OIPM)

- **Manages Intellectual Property (IP) for UH System**
 - Patents
 - Trademarks, copyrights, trade secrets
- **Commercializes IP via Center for Industrial Partnerships**
 - License agreements
 - Inter-institutional agreements (for jointly owned inventions)
- OIPM is composed of 5 full-time staff

Trend in Licensing Activity

Licenses commercialize intellectual property created by UH researchers and owned by UH.

FY 2007:

2

FY 2008:

2

FY 2009:

6

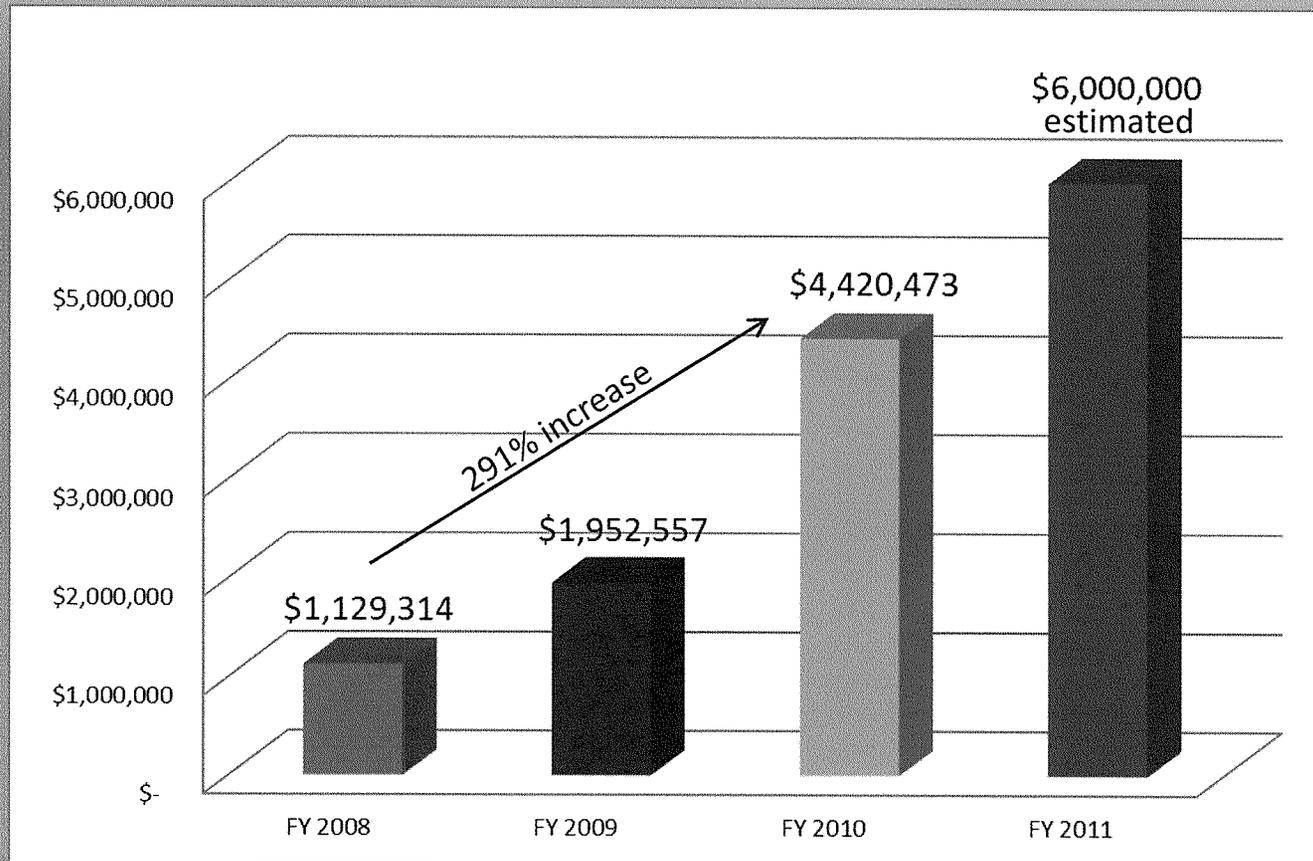
FY 2010:

6

FY 2011:

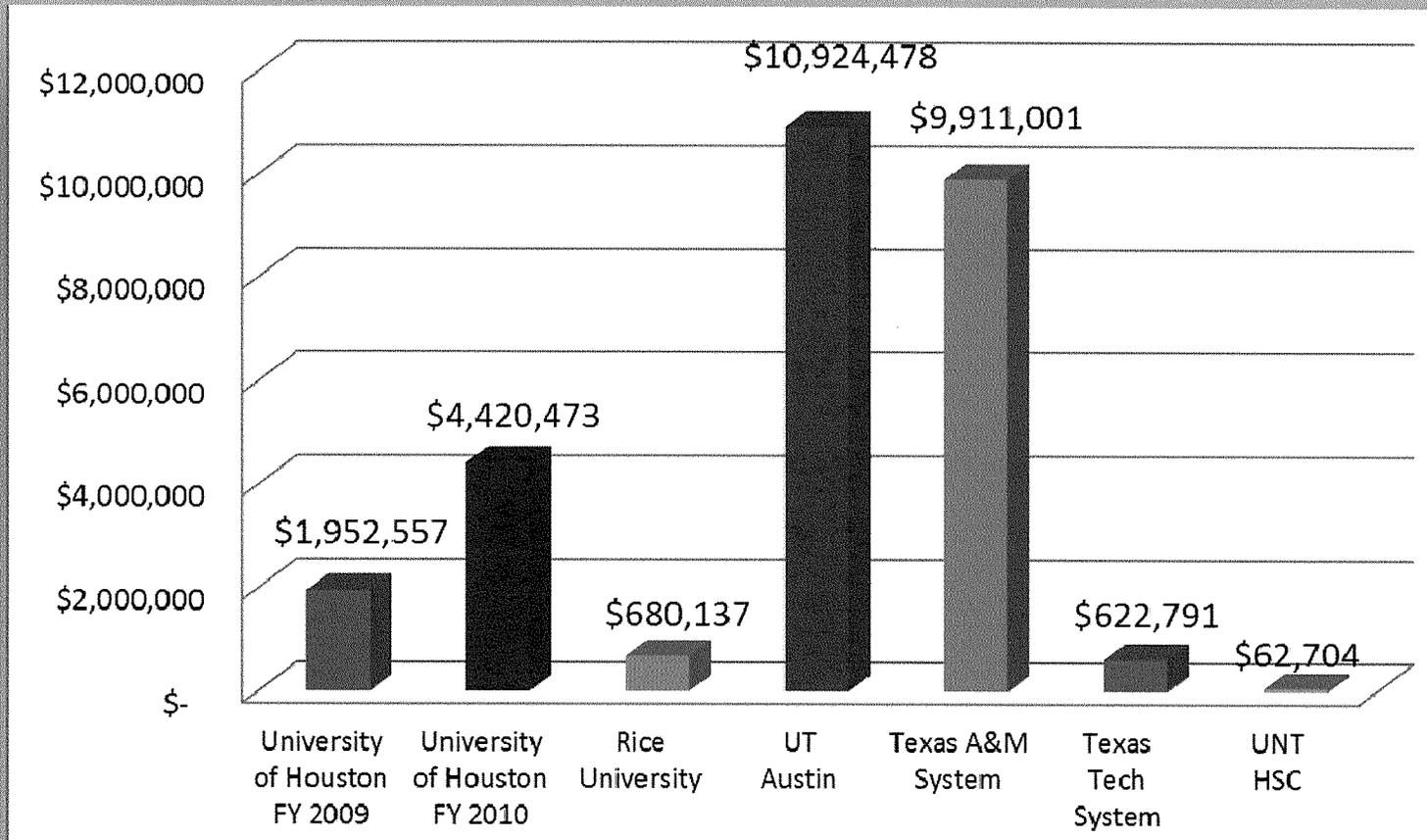
at least 6
estimated

Trend in Licensing Income

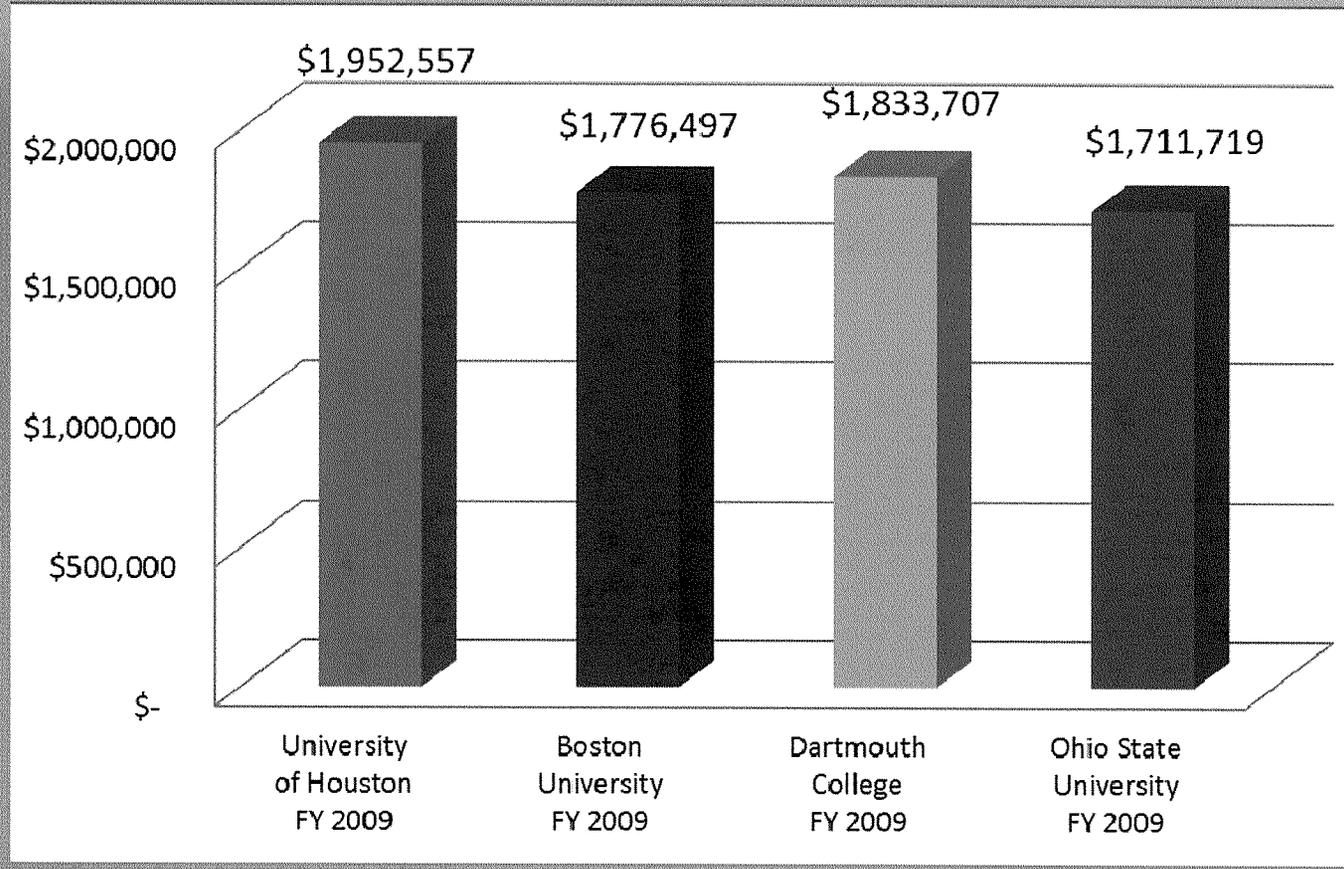


Nationally, university license income revenues dropped 32.5% in 2009.

UH and Texas Institutions – FY 2009

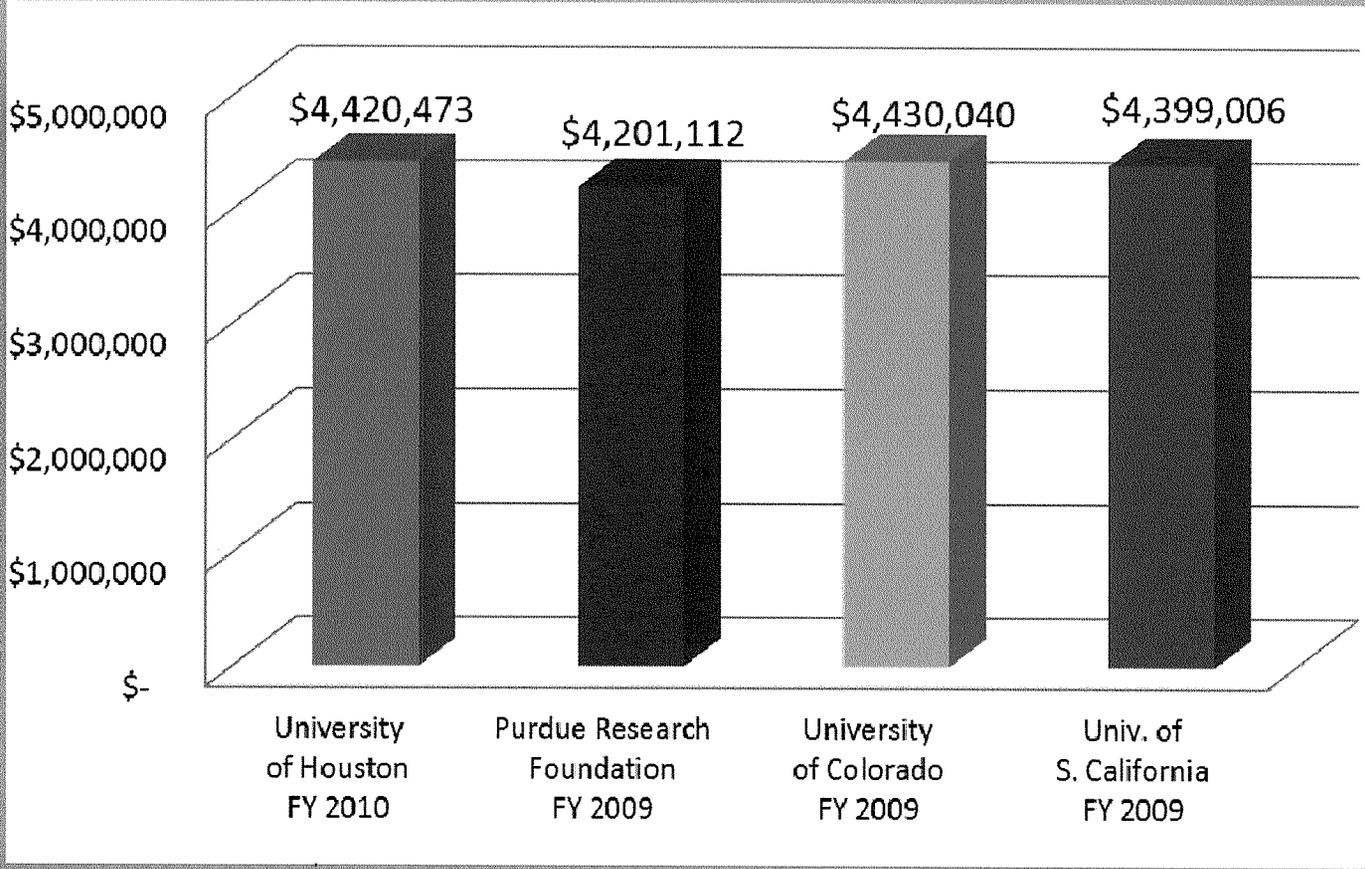


UH and Nationally Recognized Research Institutions – FY 2009



BOR - 5.1.7

UH and Nationally Recognized Research Institutions – FY 2009



BOR – 5.1.8

UH FY 2010 compared with latest available statistics for national universities (FY 2009).

UH Commercialization Activities



- An FDA- and EMEA-approved epilepsy drug, Vimpat was launched in the USA (May 2009) and European markets (2008).

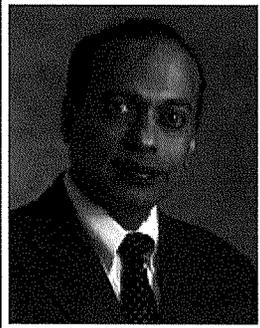


- With regulatory approval in over 40 countries, including the U.S., IV Busulfex is used to assist in administering drugs to treat leukemia.



- Using genome analysis tools to identify the cause of “Syrah Decline”, a threat to Californian vineyards.

Dr. Badri Roysam



Hugh and Lillie Cranz Cullen University Professor
Chair, Electrical & Computer Engineering

Building reliable, mind-controlled prosthetic
devices for military and civilian amputees.

Challenge: Identifying cause of neural implants failure over time.

Grant: Three-year, \$5.4 million

Defense Advanced Research Projects Agency (DARPA)

In collaboration with Seattle Children's Research Institute, the University of Michigan, Rensselaer Polytechnic Institute, Private Industry.

Dr. H. Julia Hannay

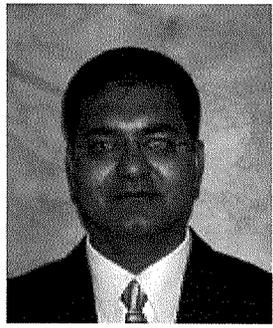


John and Rebecca Moores Professor
College of Liberal Arts and Social Sciences

Vascular Mechanisms of Secondary Injury After Traumatic Brain Injury.

Grant: One-year, \$119,215 continuation award
National Institutes of Health, National Institute of
Neurological Disorders and Stroke

Dr. Vikram Tiwari



Assistant Professor
Information and Logistics Technology

Improving Patient Flow Through Operating Rooms at VA Hospital.

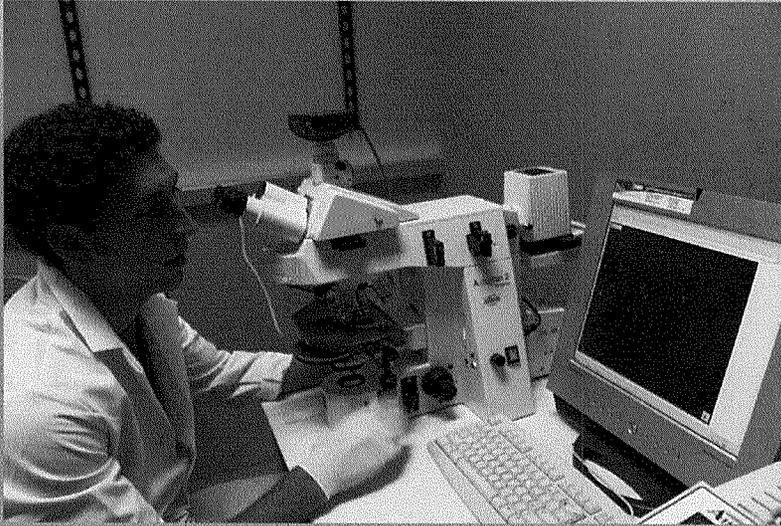
Challenge: Analyze and quantify irregularities in surgery scheduling, cancellations, and workloads.

Grant: One-year, \$65,000 continuation award
Michael E. DeBakey Veterans Affairs Medical Center

“The research collaboration with Dr. Tiwari has been instrumental in increasing the efficiency of scheduling surgeries in the Operating Room.”

- David H. Berger, MD, MHCM | Operative Care Line Executive

Texas Undergraduate Research Day in Austin



John Harger, Biology

- Mentor: Professor Robert Schwartz
- Poster Title: Downstream Gene Targets of the Ets2 Transcription Factor in Cardiac Differentiation



Matt Dickenson, PoliSci

- Mentor: Assistant Professor Ryan Kennedy
- Poster Title: Evaluating Effects of Leadership Transition in Terrorist Groups

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE:

ITEM: Approval is requested of the proposed revisions to BOR policies: 02.01-02.02; 22.01; 31.01; 57.04; 57.05; 57.10 with commensurate changes to BOR bylaws 2.6, 5.1 and 6.9

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

Pursuant to UH System Board of Regents Policy 01.03, every six years a complete review of Board policies is required. To conform to this policy, an Ad Hoc Board Policy Committee was formed and the following proposed revisions are recommended for review and approval:

1. Section I – General (Organization of System Administration)
 - 02.01 – Chancellor
 - 02.02 – General Officers
2. Section III – Academic and Student Affairs
 - 21.08 – Intellectual Property
 - 22.01 – Intercollegiate Athletics
3. Section IV – University Advancement (Information and Communication)
 - 31.01 – Public Announcements
4. Section VI – Administration and Finance (Personnel)
 - 57.04 – Dual Office Holding
 - 57.05 – Outside Employment of General Officers
 - 57.10 – Executive Management Employees

Commensurate changes to BOR Bylaws 2.6, 5.1 and 6.9 will also be proposed for review and approval.

The remaining UH System Board of Regents Policies will be submitted to the Board at the next quarterly meeting scheduled in May 2011.

SUPPORTING DOCUMENTATION: Summary of UH System Board Policy/Bylaw Revisions and Red-lined version of UH System Board Policies

FISCAL NOTE:

**RECOMMENDATION/
ACTION REQUESTED:** Approval

COMPONENT: University of Houston System

CHANCELLOR

Renu Khator
Renu Khator

2-2-11
DATE

Board of Regents
Summary of Policies Reviewed
February 3, 2011

Board Policies

The ad hoc committee has completed the review of the board policies as listed below. The committee proposes adding references to statutory authority and System Administrative Memoranda (SAMs) to each policy.

Section I – General Suggested changes to the following policies:

Organization of System Administration

- 02.01 Chancellor
- 02.02 General Officers (designation to be changed to “Executive Officers”)

Section II – Executive No substantive changes suggested

Section III – Academic and Student Affairs Currently under review; Review of the following section is complete with no substantive changes suggested for the section:

Academic Affairs

- 21.08 Intellectual Property
 - Reviewed generally at sub-committee meeting

There are suggested changes for the following section:

Auxiliary Enterprises

- 22.01 Intercollegiate Athletics
 - Reviewed generally at sub-committee meeting

Section IV – University Advancement Suggested changes to the following policy:

Information and Communication

- 31.01 Public Announcements

Section V – Audit and Compliance Suggested changes to the following policy; Referred to Audit Committee

Audit and Compliance

- 41.01 Internal Auditing

Section VI – Administration and Finance Currently under review; Review of the following sections is complete with suggested changes to the following policies:

Personnel

- 57.04 Dual Office Holding

- 57.05 Outside Employment of General Officers (designation to be changed to “Outside Employment and Appointment of Executive Officers”)
- 57.10 Executive Management Employees

Section VII – Endowment Management Currently under review

Section VIII – External Affairs No substantive changes suggested

UH SYSTEM BOARD OF REGENTS
Summary of Board Bylaw Revisions
February 3, 2011

Board Bylaws

To bring the bylaws into compliance with the proposed Board policy changes, the following sections of the bylaws should be revised as follows:

I. First change:

2.6 All executive management employee appointments, to the extent they are not System executive officers, shall be approved by the board upon the recommendation of the chancellor, and reported to the board. The board delegates to the chancellor, or his/her designee, the authority to approve all other faculty, professional, and administrative actions.

II. Second change:

Section 5: Committees of the Board

5.1 Executive and Compensation Committee

5.1.1 The executive and compensation committee shall consist of the chair, vice chair, secretary, and, if he or she is still serving as a regent, the immediate past chair of the board. Three members shall constitute a quorum.

The executive and compensation committee shall:

(a) exercise the powers of the board when time is of the essence and a quorum of the board cannot be reasonably and practically established;

(b) annually review the performance of the chancellor, the internal auditor, and the performance reports on the general executive officers presented by the chancellor; and

(c) keep a separate record of executive committee proceedings and submit that record for inclusion in the official record of the board at the next regular or special board meeting;

(d) report all actions taken on behalf of the board at the next regular or special board meeting or sooner if practicable.

(e) act as executive compensation committee to oversee the evaluation and assessment of

General Executive Officers and any other compensation contract of \$1,000,000 or more in one fiscal year.

UH SYSTEM BOARD OF REGENTS
Summary of Board Bylaw Revisions
February 3, 2011

III. Third change:

6.9 Consent Docket

Items on the consent docket will go directly to the board for action after consideration by the standing committees at their meetings unless one or more regents request that an item(s) be removed from the docket and considered separately, in which case it will be considered by the full board outside of the consent docket. The following may be placed on the consent docket and shall be enumerated specifically on the Board's agenda:

- 6.9.1 Investment resolutions and amendments.
- 6.9.2 Banking resolutions and amendments.
- 6.9.3 Texas Public Finance Authority resolutions and amendments.
- 6.9.4 TexPool investment authorization resolutions and amendments.
- 6.9.5 Intent to finance expenditures incurred or to be incurred for a campus construction project resolutions and amendments.
- 6.9.6 Annual write-off of accounts and notes receivables.
- 6.9.7 Annual write-off of obsolete equipment and other inventory.
- 6.9.8 Staff holiday schedule.
- 6.9.9 Outside Employment or Appointments of General-Executive Officers.
- 6.9.10 Other routine items as appropriate for the consent docket and so designated by unanimous vote of the Standing Committee for which such item is a voting item and approved by the chairman of the board.

**POLICIES
BOARD OF REGENTS**

University of Houston System



February 16, 2010

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February 16, 2010

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SECTION I – General

01 SCOPE AND AUTHORITY OF BOARD POLICIES

01.01 Governance

The official actions of the Board of Regents of the University of Houston System and its members, administrators, employees, and agents are governed by the following:

01.01.1 Federal and State Law

Board policies are subject to all relevant laws, rules, and regulations of the federal government and the government of the State of Texas. It is the policy of the Board to comply with state and federal laws, rules, and regulations at all times. Any policy, System administrative memorandum, rule, or regulation found to be in conflict with a state or federal law, rule, or regulation shall be null and void to the extent of the conflict.

01.01.2 Board Bylaws

Board bylaws govern the organization and conduct of Board activities. Board policies, System administrative memoranda, and component university policies are subject to all Board bylaws and are void to the extent that they conflict with such bylaws. The Board requires of its members compliance with all Board bylaws at all times.

01.01.3 Board Policies

The Board shall adopt official policies to establish direction for the System. The chancellor is responsible for implementation of the policies adopted by the Board. Board policies are intended to govern the actions and conduct of the individual regents, administrators, employees, and agents representing the System. The Board requires of its members, administrators, employees, and agents compliance with all Board policies at all times.

01.01.4 System Administrative Memoranda

In the event the implementation of the policies entails the development and adoption by the chancellor of System administrative memoranda, the System administrative memoranda shall make adequate reference to the Board policies that they implement. System administrative memoranda are subject to Board policies and are void to the extent that they conflict with such policies. The chancellor is responsible for the development and adoption of the System administrative memoranda. System administrative memoranda are intended to specify rules and regulations to implement Board policies, and/or to establish uniform rules, regulations, and procedures on matters of overall System concern not addressed in Board policy.

01.01.5 Component University Policies

Component university policies are subject to Board policies and to System administrative memoranda, and are void to the extent that they conflict with such policies and System administrative memoranda. (11/18/04)

Related Statutes, Policies, or Requirements

Texas Education Code § 111.02 – Applicability of General Laws

Texas Education Code § 111.11 – Board of Regents

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01.02 Definitions

Throughout the Board bylaws, policies, administrative memoranda, and other official materials, the following definitions shall apply:

- A. "Board." The Board of Regents of the University of Houston System.
- B. "Component University." Any university of the System not including the System administration.
- C. "System." The collective institutions and entities of the University of Houston System including the System administration.
- D. "System Administration." The central administration for the System, as an entity (State Agency Number 783)
- E. "University of Houston." The component university legally named the University of Houston. (State Agency Number 730)
- F. "UH-Clear Lake." The component university legally named the University of Houston-Clear Lake. (State Agency Number 759)
- G. "UH-Downtown." The component university legally named the University of Houston-Downtown. (State Agency Number 784)
- H. "UH-Victoria." The component university legally named the University of Houston-Victoria. (State Agency Number 765) (11/18/04)

01.03 Review of Board Policies

Board policies must be reviewed every six years and each policy shall bear the date of its most recent review. Unless renewed by the Board, policies shall become null and void after the end of the sixth year following their most recent review.

The chancellor is responsible for periodic review and recommendations to the Board of these policies. Notwithstanding the above schedule for review, all policies are subject to review at any time on special call by any member of the Board or the chancellor. (11/18/04)

Related Statutes, Policies, or Requirements

System Administrative Memoranda (SAMs)
01.A.03 – Board of Regents Policy Development

02 ORGANIZATION OF SYSTEM ADMINISTRATION

02.01 Chancellor

The Board appoints the chancellor as the chief executive officer of the System. The chancellor is responsible for the management and operation of the System under the direction of the Board. The board shall approve any employment contract for the office of chancellor in an open meeting. (02/16/11)

Deleted: The chancellor holds office subject to the pleasure of the Board.

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Related Statutes, Policies, or Requirements

Texas Education Code § 111.21 – System Central Administration Office; Chief Executive Officer
Texas Education Code § 51.352(5)(d)(2) – Responsibility of Governing Boards
Texas Education Code § 51.353 – Responsibility of System Administration
Texas Education Code § 51.948 – Restrictions on Contracts with Administrators
Texas Government Code § 669.002 – Contracting with Executive Head of State Agency

UH System Board of Regents Bylaw 1.2(d)(2) – Responsibility of Governing Boards

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02.02 Executive Officers

A. The executive officers of the System are the vice chancellors, the presidents, and the general counsel. The vice chancellors are responsible for the management and operation of the System under the direction of the chancellor. The chief executive officers of the component universities bear the title of president. Each president is responsible for the management and operation of the component university to which he/she is appointed under the direction of the chancellor. The general counsel is responsible for overseeing legal services for the System. (02/16/11)

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Deleted: The Board appoints the general officers upon recommendation of the chancellor. The general officers hold office subject to the pleasure of the Board.

Deleted: (11/18/04)

B. The board appoints the executive officers upon recommendation of the chancellor. The board is responsible for the employment, evaluation, and dismissal of the executive officers; however the chancellor has the authority to make recommendations to the board on the employment, evaluation and dismissal of the executive officers. (2/16/11)

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C. The board delegates to the chancellor or his/her designee, the authority to make interim appointments for executive officers, which shall be submitted to the board for ratification or review. (2/16/11).

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Related Statutes, Policies, or Requirements

Texas Education Code § 51.948 – Restrictions on Contracts with Administrators

Texas Education Code § 111.19 – Personnel: Appointments, Salaries, Etc.

Texas Education Code § 111.21 – System Central Administration Office: Chief Executive Officer

UH System Board of Regents Bylaw 2.4

UH System Board of Regents Bylaw 2.6

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09 GENERAL MISCELLANEOUS

09.01 Power to Bind System

No officer, agent, employee, or regent of the System, as an individual or as a member of any association or agency, shall have the authority to in any way bind the Board, the System, or a component university to any position or course of action that is in conflict with any bylaw or policy of the Board, or any administrative memorandum of the System, and any effort to do so shall be of no force or effect. (11/18/04)

Related Statutes, Policies, or Requirements

Texas Education Code § 111.31 – 111.42 – Powers and Duties of the Board

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09.02 Use of System Names and Indicia

The Board may adopt from time to time certain indicia of the System and the component universities. The following policies apply to those indicia and the official names of the System and the component universities:

Related Statutes, Policies, or Requirements

System Administrative Memoranda (SAMs)

09.02.1 Authority

The Board is authorized under state law to adopt official seals for the System and its component universities. The Board is also empowered by the state legislature to protect the use of the names, logos, trademarks, and other identifying marks of the System and its component universities.

09.02.2 Approval

The names, logos, trademarks, and other identifying marks of the Board, the System, and the component universities shall be protected and cannot be used without the express approval of the Board or its designated representative. The chancellor shall take whatever steps are reasonable and necessary to effect and enforce this policy. *(11/18/04)*

09.03 Medal of Honor

The University of Houston System Board of Regents Medal of Honor may be awarded by the Board on a special occasion for the purpose of recognizing outstanding achievements. All Medals of Honor require a majority vote of the Board of Regents.

A Medal of Honor may be awarded to either an individual or an organization that has made an outstanding personal or collective contribution to the University of Houston System or any of its component universities. Additionally, the medal may be awarded to an individual whose life and career exemplify excellence and the highest qualities of integrity, creativity, and commitment to the betterment of the human condition. *(11/18/04)*

09.04 Complaints and Grievances

The Board delegates to the chancellor or his/her designee the authority and responsibility to establish comprehensive procedures for the resolution of all faculty, staff, student, and other complaints and grievances against the System or any component university. *(11/18/04)*

09.05 Regental Parking

Each member of the Board shall be issued a regental parking hangtag and regental identification card. A vehicle displaying a regental hangtag or a regent showing a regental identification card may park in any parking place on any System campus at any time, subject to compliance with regulations concerning fire zones, handicapped zones, and traffic safety regulations. *(11/18/04)*

SECTION II – Executive

11 LEGAL

11.01 Litigation

The Board will be promptly and thoroughly informed by the general counsel with regard to all lawsuits filed against the System or a component university, and any employees or agents for the System or component universities in their official capacities. The general counsel is responsible for providing the Board with litigation status reports at each Board meeting, and for keeping the Board fully informed of the outcome of all litigation. (11/18/04)

Related Statutes, Policies, or Requirements

SAM 01.D.01 – Requests for Services from the Office of the General Counsel

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19 EXECUTIVE MISCELLANEOUS

SECTION III – Academic and Student Success

21 ACADEMIC AFFAIRS

21.01 Planning

The Board requires the System administration and component universities to employ Systematic processes to assess needs, identify goals, develop operating plans and budgets, evaluate performance outcomes, and report performance results.

21.01.1 Responsibility

- A. Annually, the Board approves fiscal year operating budgets and organization plans for the System administration and each component university.
- B. The chancellor is responsible for developing the planning and budgeting process employed by the System. The process will provide for review of all plans by the appropriate Board committee prior to Board action.
- C. The chancellor is responsible for preparing and implementing System plans as approved by the Board, for ensuring that the results are compatible with the mission and goals approved for each component university, and for reporting System performance results to the Board.
- D. Under the direction of the chancellor, the presidents are responsible for preparing and implementing plans for their component universities as approved by the Board, ensuring that the results are compatible with the missions and goals approved for their component universities, and reporting their component university results to the Board.

21.01.2 Reporting Requirements

Annually, the chancellor shall report to the Board the operating and budget plans of the System administration and each component university for the ensuing fiscal year, and the System performance for that year. (11/18/04)

Related Statutes, Policies, or Requirements

General Appropriations Act, Art. III, § 6

Texas Education Code § 51.0051 – Annual Operating Budgets

19 Texas Administrative Code § 13.42 Budget Approval

System Administrative Memoranda (SAMs)

03.C.01 – The Planning and Budgeting Process

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21.02 Honorary Degrees

Honorary degrees may be awarded by the Board at a component university's commencement or on other special occasions for the purpose of recognizing outstanding achievements. All honorary degrees must be approved by the Board upon recommendation of the chancellor.

A candidate nominated to receive an honorary degree should have national or international distinction or have exceptionally strong visibility within the State of Texas.

The candidate should have an association with the System, or there should be an established program at the component university in the recipient's major area of expertise. Employees and regents of the System and officials currently holding elective offices are ineligible to receive honorary degrees; however, persons of national prominence in their field are exempted from this restriction. (11/18/04)

Related Statutes, Policies, or Requirements

System Administrative Memoranda (SAMs)

06.A.04 – Honorary Degrees

21.03 Academic Freedom

To establish and clarify the rights and responsibilities of the faculty pursuant to academic freedom, the Board adopts the following policy:

21.03.1 The faculty member is entitled to full freedom in research and in the publication of the results, subject to the adequate performance of the faculty member's other academic duties; but research for pecuniary return should be based upon an understanding with the authorities of the component university.

21.03.2 The faculty member is entitled to freedom in the classroom in discussing the subject matter, but the faculty member should be careful not to introduce into the teaching controversial matter which has no close relation to the subject.

21.03.3 The faculty member is a citizen, a member of a learned profession, and an officer of an educational institution. When speaking or writing as a citizen, the faculty member shall be free from institutional censorship or discipline, but the faculty member's special position in the community imposes special obligations. As a person of learning and an educational officer, the faculty member should remember that the public may judge the profession and the institution by the faculty member's utterances. Hence the faculty member should at all times strive for accuracy, exercise appropriate restraint, show respect for the opinions of others, and make every effort to indicate that the faculty member is not speaking for the institution. (11/18/04)

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Related Statutes, Policies, or Requirements

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Texas Education Code § 51.354 – Institutional Responsibility
19 Texas Administrative Code § 7.4(13) – Standards for Operation of Institutions-Academic Freedom and Faculty Security

System Administrative Memoranda (SAMs)
06.A.09 – Academic Personnel Policies
09.A.01 – Governmental Relations Communications and Appearances

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21.04 Part-Time and Evening Programs

The Board affirms the System's commitment and obligation to the citizens of the state to provide a broad range of high-quality professional and general educational and degree opportunities, within the context of the specific mission of each component university, to full-time and part-time students in academic programs during both day and evening hours.

Because of the Board's strong commitment to maximize educational and degree opportunities and its concern for students who must attend part-time and evenings, the Board directs that any change in academic programs that could adversely affect part-time and evening students be submitted to the Board for prior approval. (11/18/04)

21.05 Faculty Workload

Each component university, in compliance with state law, shall adopt and maintain faculty academic workload rules and regulations directed toward attaining the greatest educational benefit from the expenditure of public funds. All such rules and regulations must be approved by the chancellor or his/her designee and adopted by the Board.

The faculty academic workload rules and regulations shall be reported to the Texas Higher Education Coordinating Board and included in the operating budgets and faculty handbooks of each component university. (11/18/04)

Related Statutes, Policies, or Requirements

Texas Education Code § 51.402 – Report of Institutional and Academic Duties

21.06 Faculty Personnel Actions

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The System shall establish guidelines and procedures regarding academic appointments, separations, promotions, and tenure awards. Such guidelines and procedures should maximize each component university's ability to attract and retain academic personnel of the

highest quality. The guidelines and procedures must be approved by the Board and published in the respective component universities' faculty handbooks.

Each component university shall adopt academic personnel guidelines and procedures consistent with those of the System. (11/18/04)

Related Statutes, Policies, or Requirements

Texas Education Code § 51.909 – Faculty Compensation Policies

Texas Education Code § 51.917 – Faculty Members; Use of English

Texas Education Code § 51.942 – Performance Evaluation of Tenured Faculty

Texas Education Code § 51.943 – Renewal of Faculty Employment Contracts

UH System Board of Regents Policy 21.07 – Faculty Dismissal

UH System Board of Regents Policy 21.11 – Post Tenure Performance Review

System Administrative Memoranda (SAMs)

06.A.09 – Academic Personnel Policies

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21.07 Faculty Dismissal

Dismissal is the termination of employment of a tenured faculty member, or of a probationary or non-tenured faculty member before the term of appointment has expired. Each component university through its faculty governance processes shall develop policies and procedures pertaining to dismissal of faculty members. Such policies must be consistent with those specified herein and must be approved by the chancellor.

Dismissal recommendations by the presidents of the component universities must be approved by the chancellor before being presented to the Board for action on the recommendation. Dismissal of a faculty member requires Board action.

21.07.1 Assurances

Component university policies and procedures for faculty dismissals must assure that:

- A. the rights of the individual to due process are protected;
- B. dismissal shall not violate the constitutionally protected rights of an individual and shall not be used to restrain faculty members in their exercise of academic freedom;
- C. dismissal procedures provide for timely written notice of impending dismissal that specifies the grounds on which dismissal is sought;
- D. a faculty member notified of impending dismissal has the option of a hearing before an impartial faculty tribunal designated by the established procedures of the particular component university; and

- E. the burden of proof in dismissal proceedings rests with the component university seeking the dismissal.

21.07.2 Justifications

Dismissal may be justified by one or more of the following:

A. *Adequate Cause*. Termination of employment for adequate cause may include:

1. grounds related to dishonesty, or to demonstrated professional incompetence in teaching or research;
2. grounds related to substantial and manifest neglect of professional or academic responsibilities; or
3. grounds related to actions that would result in a general condemnation of the faculty member by the U.S. academic community.

B. *Financial Exigency*. Termination of employment may be justified by a demonstrated and *bona fide* imminent financial crisis that threatens the continuation of the academic programs in their present form, and that cannot be alleviated by other means. Each component university will develop criteria and procedures to determine whether a state of financial exigency exists. Standards so developed will include provisions for faculty involvement in the determination and for a minimum twelve-month notice of termination of appointment to tenured faculty. Untenured faculty will be given notice consistent with the component university's non-reappointment guidelines.

C. *Medical Reasons*. Termination of employment may be justified by clear and convincing medical evidence that the faculty member cannot fulfill professional and academic obligations, or the terms and conditions of appointment, with reasonable accommodation.

D. *Discontinuance of Academic Programs*. Termination of employment may be based on the discontinuance of an academic program reflecting long-range judgments concerning the educational mission of the component university. Tenured faculty will be given notice eighteen months prior to termination of employment due to discontinuance of academic programs. Untenured faculty will be given notice consistent with component university non-reappointment guidelines.

In the event of dismissal of faculty by reason of financial exigency or discontinuance of academic programs, the component university's administration will make every reasonable effort to place affected faculty in other positions. A faculty member with tenure will not be dismissed in favor of retaining a faculty member without tenure except in extraordinary circumstances where a distortion of the academic program would otherwise result. (11/18/04)

Related Statutes, Policies, or Requirements

Texas Education Code § 51.942 – Performance Evaluation of Tenured Faculty
Texas Education Code § 51.943 – Renewal of Faculty Employment Contracts

UH System Board of Regents Policy 21.06 – Faculty Personnel Actions
UH System Board of Regents Policy 21.11 – Post Tenure Performance Review
System Administrative Memoranda (SAMs)
06.A.09 – Academic Personnel Policies

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21.08 Intellectual Property

University research and intellectual endeavors often result in the invention of new technology or the creation of new copyrighted material. Such results may have commercial value. While the production of commercially valuable intellectual property is not necessarily the purpose of University research and educational activities, nor the duty of anyone engaged in research and educational activities, the Board desires that both society and the University under the governance of the Board use all knowledge to the greatest possible benefit. Accordingly, when appropriate, the University will protect all intellectual property rights in technology and copyrighted material and use diligent efforts to make productive use of such rights for the good of the public, the creator, and the System. When this result is achieved by the attraction of private risk capital, or by the transfer or licensing of rights in technology or copyrighted material, income may be realized, which the Board will seek to distribute in a manner fair both to the creator and to the University at which the intellectual property was developed. Financial return, however, always remains secondary and incidental to the public service aspect of developing and disseminating knowledge for public use. The Board hereby delegates authority to promulgate specific policies for managing Intellectual Property Rights to the Chancellor/President.

21.08.1 Definitions

- A. "Author" means any person (as defined below) who actually creates copyrighted material (also as defined below).
- B. "University" means all component universities within the University of Houston System.
- C. "Business participation" means the participation of a person in any activity, the purpose of which is the commercial development or exploitation of intellectual property owned by the University. Such participation includes, but is not limited to, an equity interest, a consulting relationship, service on a Board of directors or similar body, a royalty interest, stock ownership, or any similar relationship.
- D. "Copyrighted material" or "work of authorship" means original expression that is fixed in any tangible medium of expression and subject to copyright protection under Title 17 of the United States Code as it now exists or as it may be amended. Under federal law, copyright subsists from the moment of the work's creation, although

protection may be enhanced by registration with the United States Copyright Office. Works of authorship currently include: 1. Books, journal articles, texts, glossaries, bibliographies, study guides, laboratory manuals, syllabi, tests, and survey instruments; 2. Lectures and unpublished lecture notes; 3. Musical works; 4. Dramatic works; 5. Works of visual art, such as sculptures and drawings; 6. Architectural works; 7. Films, audiovisual works, slide programs, film strips; 8. Sound recordings and video recordings containing original performances; 9. Programmed instruction materials; 10. Computer programs and documentation.

- E. "Creator" means an inventor or author (each as defined elsewhere in this policy).
- F. "Intellectual Property Rights" means those rights of ownership recognized by law in technology, copyrighted material, and computer software and firmware (all as defined in this policy). Intellectual property rights include, but are not limited to patents, copyrights, and rights to trade secrets and know-how.
- G. "Inventor" means any person who discovers or invents technology.
- H. "Net income" means, with respect to Board-owned rights in any particular intellectual property and/or copyright, gross revenue received by the University as a result of the commercialization of such rights, less:
 - 1. any taxes or other charges of any description paid by the University to governmental agencies in connection with the particular intellectual property; and
 - 2. all legal and other expenses paid by the University to affiliates or third parties in filing, prosecuting, maintaining, enforcing, defending, and commercializing such rights in the United States or foreign countries.
- I. "Person" means any part-time or full-time faculty or staff member working at, or student attending, the University or other entity under the governance of the Board.
- J. "Chancellor/President" means the Chancellor/President of the University under the governance of the Board, or any person the Chancellor/President designates to carry out the University's intellectual property policy.
- K. "Software" means any program, language, or procedure for a computer System or portion thereof, and any accompanying documentation. Software includes, but is not limited to, computer programs, internal programs, subroutines, assemblers, generators, subroutine libraries, compilers, operating Systems, and application programs.
- L. "Technology" means discoveries, innovations, or inventions.
- M. "University research" means all research, activities, or work within or related to a person's expertise or general area of employment responsibility, or that has resulted from activities performed by the person on University time, with the support of University funds or from using University facilities, including work under a research

agreement with an external sponsor and research conducted by anyone, whether or not a person as defined in this policy, who utilizes University resources.

- N. "University support" means direct University support which includes but is not limited to the following:
1. Equipment, materials, and staff services from any of a variety of University departments other than the person's academic department or unit are used in the development of copyrightable materials at no expense to the author or the author's academic department/unit.
 2. Author receives support for the development of copyrightable material, such support being in the form of money in excess of normal salary, reduced teaching load, released time, or other resources from a department, college, or any unit of the university.

21.08.2 Standing Committee on Intellectual Property

- A. *Appointment.* The Chancellor/President of the University shall appoint or specify the make-up of a Standing Committee on Intellectual Property.
- B. *Duties in General.* In addition to the responsibilities described elsewhere in this policy, the committee will advise and recommend to the Chancellor/President:
1. guidelines and procedures for implementation of this intellectual property policy;
 2. proposed amendments to this policy; and
 3. such other matters as the Chancellor/President directs.

21.08.3 Technology: Patents, Trade Secrets, Know-How, Etc.

- A. *Ownership of Technology.* The Board owns all intellectual property rights for technology that is conceived or reduced to practice by any person engaged in University research. The Board has delegated to the Chancellor/President of the University the authority to make the following exceptions:
1. In rare circumstances, the University may agree, in contracts for sponsored research, that the sponsors or other parties will own the intellectual property rights in technology resulting from such research.
 2. The University may accept research agreements that, under statutory law, vest intellectual property rights in the technology resulting from such research in an agency of government.
 3. After consideration as required by this policy, the University may waive intellectual property rights in technology in favor of the inventor.

- B. *Technology Agreement.* Every person employed by the University shall execute a "Technology Agreement," a copy of which is available from the Chancellor/President's office. However, the failure of any person to execute a "Technology Agreement" shall not affect the Board's rights under this policy.
- C. *Technology Assignment and Execution of Documents.* Whether or not a person makes a disclosure of technology as described below, he/she shall execute assignments or any other documents required for the acquisition and protection of Board-owned intellectual property rights, including those documents necessary to enable the University to fulfill requirements imposed by agreement or by law.
- D. *Disclosure of Technology.* Carefully planned methods of transferring Board-owned rights in technology will best accomplish the objectives stated in the "Purpose" section of this policy. The University can accomplish those objectives only if inventors promptly disclose technology. Premature publication of information pertaining to discoveries and inventions, or delayed prosecution of patent protection, can damage seriously the ability to obtain patent protection. Therefore, if a person conceives or reduces to practice any technology, that person must disclose such technology to the University as soon as practicable after the date of first conception or discovery. Certain research agreements may require disclosure, and in such a case a person shall disclose technology in accordance with the agreement. To make a proper disclosure, the inventor must prepare, sign, and date a patent disclosure in the form promulgated by the University. The inventor must also include drawings, sketches, and other pertinent data to show the principle of the technology.
- E. *Action after Disclosure*
1. The Standing Committee on Intellectual Property shall review the technology upon disclosure and shall recommend to the Chancellor/President that the University adopt one of the following actions:
 - 1.1 institute action to acquire patent protection. The committee shall recommend whether the University should pursue such action itself or refer the technology to a management agency; or license the technology as know-how and/or a trade secret, whether or not it obtains patent protection;
 - 1.2 transfer intellectual property rights in the technology to the research sponsor, if such transfer is required by a research agreement; or
 - 1.3 waive ownership in the intellectual property rights in the technology in favor of the inventor with the University retaining 10% interest in future revenues, should the inventor commercialize the technology that was disclosed. In addition, if the University had invested financial resources for legal protection of the technology prior to waiving ownership, the University shall recoup its legal fees and expenses from future revenues in addition to retaining a 10% interest in the technology. It is noted, however, that any future improvements or modifications developed at the University are considered new inventions and the property of the University and subject to this policy. The 10% interest will be distributed 5% to

the University, 3% to the Department(s) or Research Center based on research budget allocation and 2% to the College(s) based on research budget allocation.

2. After reviewing the committee's recommendation and such other technical consultation as is appropriate under the circumstances, the Chancellor/President shall determine the University's course of action concerning the technology.
 3. The University will act in good faith and will attempt to evaluate all disclosures within a reasonable time. The Standing Committee on Intellectual Property evaluates each disclosure, if adequate (see subsection following), within 120 days from the first scheduled meeting after the disclosure is made. Within 120 days, the committee transmits its recommendation to the Chancellor/ President. The Chancellor/President has an additional 60 days to act on the committee's recommendation. If either the committee or the Chancellor/ President fails to act on the invention within the relevant time period specified above, the inventor may request, and in response thereto the University may grant, a waiver of the University's rights in favor of the inventor.
 4. If the inventor fails to provide any information pertinent, in the committee's judgment, to evaluation of the disclosure, the disclosure is not "adequate." In such circumstances, the committee shall request the needed information from the inventor, and the calculation of the 120- and 60-day time periods specified in the foregoing subsection shall not begin until the requested information is received by the committee.
- F. *Publication.* Premature publication of information pertaining to technology could damage seriously the University's ability to obtain patent protection in foreign countries. Accordingly, an inventor may not seek publication of any information pertaining to disclosed technology until the earlier of (1) 90 days after disclosure is made, or (2) the University grants permission for such publication. This requirement is intended only to affect the timing for publication of research findings and shall not be used to infringe upon the academic freedom of any person. However, if the inventor publicly disclosed the invention, the University and members of the Standing Committee on Intellectual Property shall not be held responsible for any loss if patent protection is not secured.

21.08.4 Copyrights

- A. *Ownership of Copyrights.* The University will not assert ownership of copyright developed by faculty, staff or students, unless separately contracted for, in any: 1. Books, journal articles, texts, glossaries, bibliographies, study guides, laboratory manuals, syllabi, tests, and survey instruments; 2. Lectures and unpublished lecture notes; 3. Musical works; 4. Dramatic works; 5. Works of visual art, such as sculptures and drawings; 6. Architectural works.
- B. The University will assert ownership of copyright developed by faculty, staff or students, with regard to other types of works subject to copyright, namely, 7. Films, audiovisual works, slide programs, film strips; 8. Sound recordings and video

recordings containing original performances; 9. Programmed instruction materials; 10. Computer programs, software, and documentation, allocation of copyright ownership will be as follows:

1. *University Supported Effort.* When a work is created with financial support or resources of the University and the work is not prepared in accordance with the terms of a contract or grant in which the University is a party or as a specific University assignment, the University will own the copyright and the division of royalty and other income will be based on the Net Income Distribution included in this policy. Routine use, as sanctioned by University policy, of library, office space, equipment, supplies, facilities, and personnel within the author's department or college does not, for the purposes of this section, constitute University support.
2. *Extramurally Sponsored Effort.* Copyright in works developed with support from an outside agency through a contract or grant will be owned by the University. The Chancellor/President or his designee must approve deviations from the policy.
3. *University Commissioned Efforts.* Materials or other works produced by employees of the University will be subject to copyright exclusively by the University, if the University commissioned the employee to write or produce the specific materials or works. A faculty member's general obligation to produce scholarly and creative works and the receipt of a professional development leave, unless there is a specific agreement to the contrary, do not constitute University Commissioned Efforts as defined in this policy.
4. *Student copyrights as a result of course work.* The University claims no rights to works created by students in the course of their education, such as dissertations, papers and articles, if the student received no support from a research grant in the form of wages, salary, stipend or a grant from funds administered by the University. The University will own the copyright to works created by graduate students in the course of their assigned duties of employment, including duties as teaching or research assistant as part of an assigned task, where the assignment explicitly states that the work will be owned by the University.
5. *Categorization issues.* It is recognized that the boundaries among traditional forms of works of authorship may be difficult to apply to certain works in newer media. For example, the line between books and programmed instruction materials may not be apparent. For purposes of this policy, a work whose presentation and use are interactive (other than for purposes of searching the text or otherwise locating material, or for verifying correct answers) will be regarded as a computer program rather than a book. When questions of ownership arise, and until the dispute is resolved, it will be managed as though the University owns the copyright.

6. *Software and Firmware.* Since the potential exists to protect software and firmware under copyright, patent, and trade secret laws, the author must comply with Board policies and regulations governing copyrights and technology.
- C. *Disclosure of Copyright.* Carefully planned methods of transferring Board-owned rights in copyright will best accomplish the objectives stated in the "Purpose" section of this policy. The University can accomplish those objectives only if authors promptly disclose copyrighted material. Therefore, if a person creates copyrighted material, that person must disclose such works to the University as soon as practicable after the date of fixing the original expression in any tangible medium. Certain research agreements may require disclosure, and in such a case a person shall disclose technology in accordance with the agreement. To make a proper disclosure, the author must prepare, sign, and date a copyright disclosure in the form promulgated by the University. The author must also include other pertinent data to show the medium of copyright.
- D. *Action after Disclosure*
1. The Standing Committee on Intellectual Property shall review the copyright upon disclosure and shall recommend to the Chancellor/President that the University adopt one of the following actions:
 - 1.1 recommend whether the University should pursue commercialization action itself or refer the technology to a management agency; or license the copyrighted material;
 - 1.2 transfer the rights in the copyright to the research sponsor, if such transfer is required by a research agreement; or
 - 1.3 waive ownership in the copyright in favor of the author with the University retaining 10% interest in future revenues, should the inventor commercialize the copyright that was disclosed. In addition, if the University had invested financial resources for legal protection of the copyrighted material prior to waiving ownership, the University shall recoup its legal fees and expenses from future revenues in addition to retaining a 10% interest in the copyright. It is noted, however, that any future improvements or modifications developed at the University are considered new copyrighted material and the property of the University and subject to this policy.
 2. After reviewing the committee's recommendation and such other technical consultation as is appropriate under the circumstances, the Chancellor/President shall determine the University's course of action concerning the technology.
- E. *Rights to Fair Use.* Where the University owns the copyright, the authors will retain rights to copy and distribute the original work to the extent necessary for classroom use in connection with courses taught by the author at this or another university. In exercising these rights, the author will provide fair attribution to the University of Houston for having supported the original work. The author will include the

copyright notice; where the author owns the copyright, the University will retain rights to fair use, archival and library reproductions, and performance and display of such works.

- F. *Revision of Materials and Works.* Works as to which the University, under the terms of this policy, owns the copyright shall not be altered or revised without providing the author a reasonable opportunity to assume the responsibility for the revision. If the author declines the opportunity to revise such material, the Chancellor/President in consultation with the appropriate department or office will make the assignment of responsibility for the revision.
- G. *Withdrawal of Materials and Works from Use.* Materials and works as to which the copyright is owned by the University, under the terms of this policy, shall be withdrawn from use when the University in consultation with the author deems such use to be obsolete or inappropriate. No withdrawal or other discontinuance shall take place that would violate the terms of any licensing or other agreement relating to the materials or works.
- H. *Reimbursement of Expenses.* In those instances where the University takes copyright ownership pursuant to this policy, any gross revenue received as a result of commercializing any work of authorship developed or created at the University must first be applied to recovering expenses associated with creation of such work and with exploitation of the copyright therein. Thereafter, revenue will be allocated to the authors and the University in the same manner as net income in the case of patented inventions.
- I. *Apportionment Among Authors.* When there is more than one author of a work, the shares to the respective authors shall be distributed in the proportions set forth on the disclosure form submitted to the Standing Committee on Intellectual Property. If no disclosure has been submitted, then by agreement between the authors, or in the absence of such agreement, the proportions will be determined by the Chancellor/President after affording an opportunity for hearing those concerned.
- J. *Resolution of Copyright or Equity Disputes.* A University Copyright Appeals Committee, an Ad Hoc Subcommittee of the Standing Committee on Intellectual Property, shall review the applications for the resolution of copyright or equity disputes and shall submit its recommendation to the Chancellor/President. Either the employee or the Vice President for Research may request a review. The Copyright Appeals Committee shall be appointed by the Chancellor/President from nominations submitted by the Standing Committee on Intellectual Property and shall function in accordance with policies and procedures established by the Standing Committee on Intellectual Property and reviewed by the University Faculty Senates. The Chancellor/President's decision will be binding on all parties, and will be conveyed to all involved in a timely fashion, but must be conveyed within 60 working days.

21.08.5 Commercialization of Board-Owned Intellectual Property and Copyrighted Material

The Board policy is to make productive use of Intellectual Property and Copyrighted Material for the good of the public, the creator, and the System. To achieve this goal, the University may license, transfer, or otherwise commercialize Board rights in technology or copyrighted works developed by its faculty, staff, and students. To manage this process, the University operates a licensing and transfer program and requires strict compliance therewith. The University also encourages creators themselves to seek potential licensees and transferees, or to notify the University of such individuals or companies. In all instances, the University must be involved in any negotiation of a commercialization agreement concerning Board intellectual property rights in technology or copyrighted works, and must give final approval to any such agreement.

21.08.6 Net Income Distribution

- A. *Reimbursement to System.* The Board recognizes the healthy symbiotic relationship that, by this policy, it seeks to foster between itself and persons associated with the University. Of necessity, the university will receive all gross revenue as a result of commercializing any intellectual property rights developed or created at the University and this must first be applied to recovering the expenses listed in the definition of "net income" above. Thereafter, the creator(s) of the intellectual property has a residual economic interest, to be paid out according to the schedule in the following subsection.
- B. *Creator's Residual Economic Interest*
1. 40% of Net Income shall be paid to the creator(s) thereof in the proportions set forth on the disclosure form submitted to the Standing Committee on Intellectual Property (in the case of patents and other technology) or on the title page of the copyrighted work.
 2. Thereafter, unless the Standing Committee on Intellectual Property recommends, and the Chancellor/President adopts, a different distribution, the remaining Net Income derived from commercialization of the intellectual property rights shall be distributed as follows:
 - 2.1 40% to the University;
 - 2.2 13% to the creator(s) academic department(s) or research center(s) in proportion to the research budget allocations;
 - 2.3 7% to the college(s) in proportion to the research budget allocation.
- C. *Time of Distributions.* The sums referenced in the foregoing schedule shall be distributed annually to the creator(s) or the University as soon as practicable after the close of the fiscal year during which the income was received.
- D. When equity, in the form of stocks, is received as part of the royalty agreement, the company shall be directed to issue 40% of the stocks to the creator(s) and the remainder of the stock shall be distributed to the University. In the event a creator

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receives stocks from the company, the creator shall elect to receive stock from either the University or the company, but not both.

E. The distribution with the University shall be as follows:

The entire University share will be distributed to a component that has incurred the costs of development, protection of the Intellectual Property and Marketing;

1. If the University of Houston System or another component has contributed financially to the commercialization of the Intellectual Property, the chancellor or his designee shall determine the equitable distribution of the University share;
2. Each component shall establish its own policies for internal distribution.

21.08.7 Business Participation

A. *Business Participation Approved.* The Board does not discourage persons subject to this policy from participating in the commercial development and/or exploitation of Board-owned intellectual property. Nonetheless, such participation must conform in all respects to this policy, including the policy stated above concerning licenses and transfers, and to applicable state and federal laws.

B. *Specific Requirements.* In particular, a person shall not engage in business participation if such participation would violate Board Policy 49.08, section 572.051, Texas Government Code, section 51.912, Texas Education Code, or other state or federal law or regulation that controls such participation. (11/18/04)

Related Statutes, Policies, or Requirements

Texas Education Code § 51.005 – Control of Funds: Reports

Texas Education Code § 51.680 – Intellectual Property Policies: Review by Commissioner of Higher Education

Texas Education Code § 51.912 – Equity Ownership: Business Participation

Texas Education Code §§ 153.001 – 153.008 – Research in Higher Education: Centers for Technology Development and Transfer

Texas Government Code § 572.051 – Standards of Conduct: State Agency Ethics

System Administrative Memoranda (SAMs)

01.E.01 – Office of Intellectual Property Management

07.A.04 – Digital Millennium Copyright Act

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21.09 Shortened Format Courses

The Board intends that, when feasible, the duration of credit courses offered by component universities coincide with the established academic calendar. Thus, courses of instruction should have a duration of approximately 14 weeks if offered during a semester of the

academic year, and approximately five weeks if offered during the summer term. However, the Board acknowledges that a few areas of instruction are of such nature that occasional courses offered in a shortened format are appropriate. Such courses, when offered, shall satisfy System guidelines. (11/18/04)

Related Statutes, Policies, or Requirements

19 Texas Administrative Code § 4.6 – Minimum Length of Courses and Limitation on the Amount of Credit that a Student May Earn in a Given Time Period

System Administrative Memoranda (SAMs)

06.A.05 – Shortened Format Courses

21.10 Sponsored Research Grants & Contracts

The Board delegates to the chancellor or his/her designee the authority to execute and accept all sponsored research contracts and grants up to a level of \$500,000. Board approval is required for research contracts and grants above that amount. (11/18/04)

Related Statutes, Policies, or Requirements

Federal Office of Management and Budget (OMB) Circular A-21 – Cost Principles for Educational Institutions

Federal Office of Management and Budget (OMB) Circular A-110 – Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations

System Administrative Memoranda (SAMs)

01.G.01 – Sponsored Research Activities

21.11 Post Tenure Performance Review

21.11.1 Preamble

The Board of Regents of the University of Houston System affirms the principle that the quality of its universities is inextricably tied to the quality of its faculty, and that the ability of a university to serve its public is dependent upon the creation of an environment that nurtures the development of its faculty so as to increase the likelihood of success in the pursuit of teaching, research and service. Furthermore, the Board reaffirms its commitment to the institution of tenure, recognizing that the public interest is best served

in a climate in which faculty members are free to pursue the creation and dissemination of knowledge.

At the same time, the Board recognizes the need to create an environment of accountability and public trust in both the institution as a whole and in individual faculty members.

The policies promulgated below are intended to ensure that a tenured faculty member consistently performs at an acceptable professional level, to provide for a plan of faculty development where necessary, and finally, in the instance of failure to correct deficiencies, to provide for the revocation of tenure or other appropriate disciplinary action.

21.11.2 Delegation of Authority

Each university within the University of Houston System shall adopt policies and procedures providing for a periodic performance evaluation process for all tenured faculty members. Such institutional policies and procedures, and any subsequent amendments thereto, must be approved by the chancellor and the UH System Board of Regents. Institutional policies and procedures may be designed to fit the particular mission, traditions, and circumstances of the individual universities and must in all cases adhere to the following set of principles and procedures.

21.11.3 Fundamental Principles

- A. Institutional post-tenure performance review policies must conform to any and all relevant state statutes, including procedures for alternative dispute resolution (Chapter 154, Civil Practice and Remedies Code) and to other applicable policies of the Board (Board of Regents Policy 21.07 - Faculty Dismissal).
- B. Post-tenure performance review policies and procedures at both the System and university levels and any subsequent amendments thereto (hereinafter referred to as “post-tenure performance review policies”) are grounded in three principal academic values: peer review, academic freedom, and due process.
 1. Peer Review
 - 1.1 The formulation of post-tenure performance review policies shall include substantive and meaningful consultation with appropriate faculty bodies.
 - 1.2 The review of individual faculty members shall include provisions for involvement by appropriate faculty colleagues in order to ensure that peer review is an essential component of the post-tenure performance review process.
 2. Academic Freedom

Post-tenure performance review policies shall reflect the System’s long-standing and sustained commitment to the traditional value of academic freedom. It is the intent of the Board that the implementation of post-tenure performance review policies would not result in compromising this value in any way.

3. Due Process

Post-tenure performance review policies shall incorporate academic due process rights, including notice of the manner and scope of the evaluation, the opportunity to provide documentation, notice of specific charges, and an opportunity for hearing on those charges before disciplinary action is instituted on the basis of such an evaluation.

- C. Evaluations shall be based on the professional responsibilities of the faculty member in the areas of teaching, research, and service. The evaluation process shall be directed toward the professional development of the faculty member. Toward that end, the institution, through its appropriate academic officers and in concert with the affected faculty member, shall devise an individual plan of professional development for faculty members for whom a determination of unsatisfactory performance is made. Such a professional development plan shall be specific with regard to expectations, actions, timeline, resources, and the consequences of non-correction of the identified deficiencies. In the event that implementation of the professional development plan does not result in substantial improvement of performance, the faculty member may be subject to disciplinary action, including possibly the revocation of tenure and dismissal. A tenured faculty member subject to the revocation of tenure and dismissal on the basis of an unsatisfactory performance evaluation must be given the opportunity for referral of the matter to a non-binding alternative dispute resolution process.

D. Procedures

1. A comprehensive performance evaluation process, which must include peer review, shall be conducted for each tenured faculty member no more often than once a year, nor less often than once every six years after attaining tenure.
2. Administrators who also hold a tenured faculty position shall be subject to the established review procedures for administrators as codified in Board by-laws, Board policies, System administrative memoranda, and component university policies on this subject.
3. The records of actions taken to comply with these policies shall reside in the Office of the Provost of each university. Deans must provide an annual written report to the Provost with regard to the status of faculty members for whom a professional development plan has been established. (11/18/04)

Related Statutes, Policies, or Requirements

Texas Education Code § 51.942 – Performance Evaluation of Tenured Faculty

Texas Education Code § 51.943 – Renewal of Faculty Employment Contracts

Texas Civil Practice and Remedies Code Chapter 154 – Alternative Dispute Resolution

Procedures

UH System Board of Regents Policy 21.06 – Faculty Personnel Actions

System Administrative Memoranda (SAMs)

06.A.09 – Academic Personnel Policies

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22 AUXILIARY ENTERPRISES

22.01 Intercollegiate Athletics

Intercollegiate athletics programs under the auspices of the University of Houston System shall be operated by the component to assure accountability to the values and principles of American higher education and the University of Houston System. The Board subscribes to the Knight Commission Principles established by the Knight Foundation Commission on Intercollegiate Athletics as general operating guidelines for UHS intercollegiate athletics programs. (Restoring the Balance: Dollars, Values and the Future of College Sports, Report of the Knight Foundation Commission on Intercollegiate Athletics, 2010, pp. 10-18.) The Board and chancellor expect such programs to operate under institutional control, with academic and financial integrity, and in full compliance with National Collegiate Athletic Association rules.

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Annually, the chancellor will review academic and financial matters related to intercollegiate athletics programs operated by component universities and report to the Board academic achievement of student athletes, compliance with NCAA rules, and financial status of the program. (02/16/11)

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Related Statutes, Policies, or Requirements

National Collegiate Athletics Administration (NCAA) Division I Manual -
<http://www.ncaapublications.com/productdownloads/D111.pdf>

System Administrative Memoranda (SAMs)

02.A.02(6) – Consulting and Paid Professional Service

04.A.01(5.1) – Audits by External Auditors

05.B.01 – Principals Guiding the Operation of Intercollegiate Athletics

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23 STUDENT AFFAIRS

23.01 Equal Educational Opportunity

The System and its component universities shall provide and promote equal educational opportunity for all persons and shall take affirmative steps directed toward eradicating the vestiges of past discrimination. No person shall be denied admission to a component university or be excluded from participation in, denied the benefits of, or be subject to discrimination under any program or activity sponsored or conducted by the System or a component university on any basis prohibited by applicable law, including race, color, national origin, religion, sex, disability, age, or veteran status. (11/18/04)

Related Statutes, Policies, or Requirements

Title VI of the Civil Rights Act of 1964, 42 U.S.C. § 2000d et seq.
Title IX of the Education Amendments of 1972, 20 U.S.C. §§ 1681-1688

Texas Education Code § 51.803 – Automatic Admission: All Institutions
Texas Education Code § 51.805 – Other Admissions
Texas Education Code § 51.807 – Rulemaking
Texas Education Code § 51.808 – Application of Admission Criteria to Other Programs
Texas Education Code § 51.809 – Scholarship and Fellowship Awards
Texas Education Code § 51.842 – Admission and Scholarship Factors for Graduate and Professional Programs

UH System Board of Regents Policy 23.02 – Admissions

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23.02 Admissions

The component university shall establish and maintain standards for the admission of entering students consistent with the role and mission established for each university by the Board, based upon recognized and published criteria and designed to enhance the students' chances of academic success. Undergraduate admission standards, and any subsequent changes, must be approved by the Board. (See also 23.01 Equal Educational Opportunity) (11/18/04)

Related Statutes, Policies, or Requirements

Texas Education Code § 51.352(d)(4) – Responsibility of Governing Boards
Texas Education Code § 51.803 – Automatic Admission: All Institutions
Texas Education Code § 51.805 – Other Admissions
Texas Education Code § 51.807 – Rulemaking
Texas Education Code § 51.808 – Application of Admission Criteria to Other Programs
Texas Education Code § 51.809 – Scholarship and Fellowship Awards

Texas Education Code § 51.842 – Admission and Scholarship Factors for Graduate and Professional Programs

UH System Board of Regents Bylaw 1.2(d)(4)

UH System Board of Regents Policy 23.01 – Equal Educational Opportunity

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23.03 Student Use of Alcohol and Drugs

Component university regulations concerning student use of alcohol and controlled substances shall be consistent with state and federal law and reflect the intent of the Texas Legislature and Congress to discourage drug and alcohol abuse by students.

Accordingly, such regulations shall provide disciplinary measures including, and after due process, suspension from attendance or enrollment for a prescribed period of time.

Presidents shall encourage and develop regular communication with students for the purposes of:

- A. informing students of regulations concerning the use of alcohol and controlled substances; and
- B. informing students of programs, either on campus or in the community, designed to counsel and advise individuals regarding alcohol and drug abuse. (11/18/04)

Related Statutes, Policies, or Requirements

20 U.S.C. § 1145g – Drug-Free School and Communities Act, as amended

41 U.S.C. Ch. 10 (§§ 701-707) – Drug-Free Workplace

Education Department General Administrative Regulations (EDGAR), 34 C.F.R. Part 86 – Drug and Alcohol Abuse Prevention

Texas Education Code § 51.9361 – Rise Management Programs for Members and Advisors of Student Organizations

UH Drug and Alcohol Use Prevention Policy, Student Handbook

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23.04 Student Financial Aid

The Board is committed to the concept that all qualified students should be afforded educational opportunities regardless of individual financial circumstances.

Within the constraints of its resources, the System shall take all steps necessary to maximize the amount of available student financial aid, and shall take steps to fully utilize those funds to assist students whose education would not otherwise be possible. (11/18/04)

Related Statutes, Policies, or Requirements

Title IV. Higher Education Opportunity Act of 2008 (Public Law 110-315).

Texas Education Code, Chapter 52 – Student Loan Program

Texas Education Code, Chapter 53B – Higher Education Loan Authorities

Texas Education Code, Chapter 56 – Student Financial Assistance

Texas Education Code, Chapter 57 – Guaranteed Student Loans

System Administrative Memoranda (SAMs)

06.A.12 – Administration of Scholarships and Financial Aid

23.05 Student Travel Policy

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The Board delegates to the chancellor the authority to develop, finalize, and implement a student travel policy for the System and its components, in compliance with Section 51.949 of the Texas Education Code. Such policy shall address student travel that is undertaken by one or more students presently enrolled in the institution to reach an activity or event located more than 25 miles from the institution, that is organized and sponsored by the institution, and that is: 1. travel funded by the institution and using vehicles owned or leased by the institution; or 2. travel required by a student organization registered at the institution.

The chancellor shall ensure that any student travel policy, including any amendments thereto, complies with applicable law, including Section 51.950 of the Education Code. Any student travel policy or amendment thereto is effective upon approval by the chancellor. (11/18/04)

Related Statutes, Policies, or Requirements

General Appropriations Act, Art. III, § 6 – Student Travel Policy

Texas Education Code § 51.950 – Policy Regulating Student Travel

System Administrative Memoranda (SAMs)

03.E.08 – Travel by Student to Component University Funded Activity

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29 ACADEMIC AND STUDENT SUCCESS MISCELLANEOUS

29.01 HIV Services (AIDS)

Each component university and the System administration shall adopt policies consistent with the Human Immunodeficiency Virus Services Act, Texas Health and Safety Code, Section 85.001 (the "Act").

Each component university shall include in appropriate academic programs curricula consistent with the educational objectives of the Act.

Each component university and the System administration shall communicate its policies in a manner designed to reach the widest possible audience of faculty, students, and staff. (11/18/04)

Related Statutes, Policies, or Requirements

Texas Health and Safety Code, Chapter 85 – *Human Immunodeficiency Virus Services Act*

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29.02 Sexual Harassment

The Board, the System, and the component universities are committed to providing a professional working and learning environment free from sexual harassment. Sexual harassment is a form of sex discrimination and is illegal. Neither the Board, nor the System, nor any component university will tolerate any form of sexual harassment. Furthermore, the Board, the System, and the component universities are committed to providing the training to educate staff, faculty, and students about sexual harassment issues.

The component universities and the System administration shall adopt policies consistent with this policy. The rights of claimants and respondents will be protected by the procedures developed by the institutions. (11/18/04)

Related Statutes, Policies, or Requirements

Title VII of the Civil Rights Act of 1964, 42 U.S.C. § 2000e et seq.

Title IX of the Education Amendments of 1972, 20 U.S.C. §1681 et seq.

Equal Employment Opportunity Commission, *Guidelines on Discrimination Because of Sex* (defining sexual harassment), 29 Code of Federal Regulations § 1604.11(a) (1988)

Texas Labor Code, Chapter 21 – *Employment Discrimination*

Texas Penal Code Ann. § 39.03 – *Official Oppression*

System Administrative Memoranda (SAMs)
02.A.03 – Guidelines for Sexual Harassment Policies and Procedures

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SECTION IV – UNIVERSITY ADVANCEMENT

31 INFORMATION AND COMMUNICATION

31.01 Public Announcements

There shall be no public announcements or statements initiated by the System or its component universities relating to any matter or item that requires Board approval prior to official Board action other than those announcements and notices required by state law. The System Public Information Officer may respond to media inquiries as authorized by other Board policies, administrative memoranda, rules, or regulations.

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The System and its component universities are highly visible, major public institutions and situations will arise in which public announcements or discussions of items requiring Board approval are desirable or necessary prior to Board action. The chancellor may authorize exceptions to the policy stated in the preceding paragraph after consultation with the chair of the Board. In all cases, any advance announcement must state that the item is subject to Board approval. (02/16/11)

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Related Statutes, Policies, or Requirements

Texas Government Code, Chapter 551 – *Open Meetings Act*

Texas Education Code, Chapter 111 – *The University of Houston*

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32 UNIVERSITY ADVANCEMENT

32.01 Management and Coordination of Activities

The chancellor is responsible for managing and coordinating all of the university advancement activities (development and university relations) on behalf of the System. Development and university relations activities involving the System administration, component universities; and volunteer groups will be planned and coordinated by the chancellor or his/her designee and managed by the appropriate professional staff at each component university. (05/17/07)

Related Statutes, Policies, or Requirements

Texas Education Code § 51.002 – *Funds Subject to Control*

Texas Education Code § 51.947 – *Payroll Deductions for Certain Organizations*

Texas Education Code § 111.36 – Donations, Gifts, Endowments

System Administrative Memoranda (SAMs)

08.A.01 – Management and Development of University Advancement Activities

08.A.02 – Private Support Organizations and Foundations

08.A.04 – Naming Opportunities

08.A.05 – Gifts by System Employees Through Payroll Deduction

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32.02 Naming Opportunities

The Board must approve the naming of a building (new, existing or expanded), college, school, program, institute or center recognizing a donor for his/her generosity to the System or a component university. The Board must also approve the naming of a building (new, existing or expanded), college, school, program, institute or center for the purpose of recognizing an individual or other entity based on distinguished leadership and/or service to the System or a component university. All naming opportunities should reflect favorably on, and bring honor to, the System.

The Board must approve the removal of a name of a building, college, school, program, institute or center.

The Board directs the chancellor to develop procedures and guidelines for the proposal and recommendation of naming opportunities and removing names. (05/17/07)

Related Statutes, Policies, or Requirements

Texas Education Code § 51.002 – Funds Subject to Control

Texas Education Code § 111.36 – Donations, Gifts, Endowments

System Administrative Memoranda (SAMs)

08.A.04 – Naming Opportunities

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32.03 Acceptance of Gifts

The Board must approve acceptance of gifts that result in the naming of a facility, college, school, program, institute or center. The Board delegates to the chancellor or his/her designee the authority to give preliminary approval of gifts requiring Board approval but the Board must make its final acceptance of the gift prior to any public announcement. The Board also delegates to the chancellor or his/her designee the final authority to approve acceptance of all gifts not specified elsewhere in these policies.

The chancellor shall report to the Board on private support results and performance.
(05/17/07)

Related Statutes, Policies, or Requirements

Texas Education Code § 51.002 – Funds Subject to Control
Texas Education Code § 111.36 – Donations, Gifts, Endowments

System Administrative Memoranda (SAM)
03.F.01 – Gift Acceptance
03.A.04 – Naming Opportunities

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32.04 Acceptance of Donated Property

The Board delegates to the chancellor the authority to accept all gifts of real property. The chancellor shall report to the Board all such gifts. The chancellor shall administer these properties subject to Board policies and directions. No public announcement of a gift of real property shall be permitted until after the chancellor has accepted the property. (05/17/07)

Related Statutes, Policies, or Requirements

Texas Government Code § 2204.003 – Gifts of Real Property to Institutions of Higher Education
Texas Education Code § 111.36 – Donations, Gifts, Endowments
Texas Education Code § 111.39 – Acquisition and Disposition of Land

System Administrative Memoranda (SAM)
01.C.08 – Receiving Gifts of Real Property
03.F.01 – Gift Acceptance
03.A.04 – Naming Opportunities

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32.05 External Constituency Records

The Board directs the System administration to create and manage a comprehensive data base that provides each component with timely, accurate, and integrated records and ensures maximum accountability to the Board in the area of alumni, donor, and other major external constituency relations.

While each component university has primary responsibility for carrying out its own external constituency development, the System administration should provide general direction of the creation and maintenance of an integrated demographic data base containing all alumni,

donor, and other major external constituency records for the on-site use and benefit of all component universities. (05/17/07)

Related Statutes, Policies, or Requirements

System Administrative Memoranda (SAM)

03.F.01 – Gift Acceptance

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32.06 Private Support Organizations and Foundations

The Board recognizes that there are legally incorporated nonprofit organizations (support organizations) whose sole purpose is to benefit the University of Houston System or any of its component institutions or any of the activities within those component institutions. These organizations are administered by Boards of directors that are independent from the direct control and supervision of the UH System Board of Regents. However, because state law charges the Board with governance of the System, the Board must ensure that the existence, purpose, and operations of all such organizations and foundations are consistent with the Board's policies and objectives for the System. The Board therefore delegates to the System chancellor the authority necessary to ensure compliance with the following policy on the parts of all such private support organizations and foundations. The chancellor and/or his/her designee shall report to the Board annually on the compliance status of each support organization.

Any nonprofit entity wishing to become a support organization of the System or any of its component institutions must first enter into a written agreement with the Board that adequately addresses the following:

- A. use of the names or any parts thereof, of the University of Houston System, and its component institutions by the support organization;
- B. administration and investment of funds received by the support organization for the benefit of the System, including reporting and auditing requirements concerning assets, gifts, and distributions;
- C. use of System staff, facilities, and other resources;
- D. service by an officer or employee of the System and/or its component institutions as an officer or director of the support organization;
- E. remuneration of an officer or employee of the System and/or its component institutions by the support organization;
- F. access to the records and documents of the support organization by the University of Houston System, including its Internal Auditor;

G. the compatibility of the activities of the private support organization in relation to the mission of the System; and

H. other issues the chancellor deems necessary in establishing rules governing all aspects of conduct of the System and its employees in relationship to the support organization.
(05/17/07)

Related Statutes, Policies, or Requirements

Texas Government Code § 2255.001 – Private Donors and Organizations

UH System Board of Regents Policy 58.02

System Administrative Memoranda (SAM)

08.A.02 – Private Support Organizations and Foundations

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32.07 Coordination of Major Donor Prospect Cultivation and Solicitation Activity

The Board designates the chancellor or his/her designee as the coordinator for all major donor prospects. All contacts, cultivation visits, and solicitations to major donor prospects must be coordinated by the chancellor or his/her designee through the prospect management System. The chancellor shall develop guidelines and procedures for the prospect management System. (05/17/07)

Related Statutes, Policies, or Requirements

System Administrative Memoranda (SAM)

03.F.01 – Gift Acceptance

08.A.01 – Management and Development of University Advancement Activities

08.A.02 – Private Support Organizations and Foundations

08.A.04 – Naming Opportunities

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39 UNIVERSITY ADVANCEMENT MISCELLANEOUS

SECTION V – AUDIT AND COMPLIANCE

41 AUDIT AND COMPLIANCE

41.01 Internal Auditing

To develop a framework for the implementation of the internal audit function within the System, and to define the scope of the internal audit function as an effective management tool for use by the chancellor and the Board in evaluating the System's fiscal integrity and compliance with the Texas Internal Auditing Act, Texas Government Code, Section 2102, applicable state and federal laws and with approved Board policies, the Board adopts the following policy:

41.01.1 Philosophy

- A. A primary responsibility of the Board is to ensure the legal and fiscal integrity of the System. To that end, the Board directs the Department of Internal Auditing to perform those audit activities necessary to assure that the System's resources are being properly managed and accounted for and that the institution is complying with approved policies and statutory requirements.
- B. Internal audits are resource tools for management and enable the System to monitor the effectiveness with which policies are followed, objectives met, and control Systems function.
- C. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the System's operations. It helps the System accomplish its objectives by bringing a Systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
- D. The Department of Internal Auditing will be free of all operational and management responsibilities that would impair the ability to make independent reviews of all aspects of the System.
- E. In carrying out their duties and responsibilities, members of the Department of Internal Auditing will have full, free, and unrestricted access to all System activities, records, property, and personnel. The Internal Auditing Department may also request access to the financial records of private support organizations and foundations chartered for the benefit of the University of Houston System or any part thereof.

41.01.2 Organizational Responsibility

- A. The Chief Audit Executive will report directly to the chair of the Audit and Compliance Committee of the Board, and have access to the chancellor.

- B. The Board is responsible for the employment, evaluation, and dismissal of the internal auditor; however, the chancellor has the authority to make recommendations to the Board on the employment, evaluation, and dismissal of the internal auditor.
- C. The Department of Internal Auditing will perform its duties in accordance with the Standards for the Professional Practice of Internal Auditing and the Code of Professional Ethics, as established by the Institute of Internal Auditors, and generally accepted government auditing standards.

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41.01.3 The Internal Auditing Process

- A. In August of each year, the Department of Internal Auditing will present to the Audit and Compliance Committee a long-range audit plan and an annual audit plan for the Board’s review and approval. This plan will include a summary of the resources dedicated to the Internal Audit program in order for the board to determine if adequate resources exist to ensure that risks identified in the annual risk assessment are adequately covered within a reasonable time frame.
- B. The Chief Audit Executive will meet with the chancellor on a regular basis to review audits performed, audits in progress, and future audits, and special investigations.
- C. The Chief Audit Executive will meet with the chair of the Audit and Compliance Committee on a regular basis to review audits performed, audits in progress, and future audits.
- D. Internal Audit reports will be distributed to the chancellor, members of the Board of Regents, the State Auditor, the Governor’s Office of Planning and Budgeting, the Legislative Budget Board and the Sunset Advisory Commission, as required by the Texas Government Code, Section 2102.

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41.01.4 Objectives

The internal audit activity evaluates and contributes to the improvement of the System’s risk management, control and governance Systems by addressing the following objectives:

- A. **Risk Management:** Internal audit activity will assist the System by identifying and evaluating significant exposures to risk and contributing to the improvement of risk management and control Systems.
- B. **Control:** Internal audit activity will assist the System in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.
- C. **Governance:** Internal audit activity will contribute to the System’s governance process by evaluating and improving the process through which values and goals are established and communicated, 1. the accomplishment of goals is monitored, 2. accountability is ensured, and 3. values are preserved.

D. The internal audit activity will evaluate risk exposures and adequacy and effectiveness of controls relating to the System's governance, operations and information Systems regarding the

- Reliability and integrity of financial and operational information
- Effectiveness and efficiency of operations
- Safeguarding of assets
- Compliance with laws, regulations, and contracts.

E. The Internal Audit Department will coordinate audit efforts with those of external CPA firms and the state auditor's office. (02/16/11)

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Related Statutes, Policies, or Requirements

Texas Government Code § 321.0136 – Investigation

Texas Government Code, Chapter 2102 – Texas Internal Auditing Act

The Institute of Internal Auditors. International Standards for the Professional Practice of Internal Auditing and Code of Ethics - <http://www.theiia.org/guidance/standards-and-guidance/ippf/>.

U.S. Government Accountability Office. Government Auditing Standards (The Yellow Book) - <http://www.gao.gov/new.items/d07731g.pdf>.

System Administrative Memoranda (SAMs)

01.C.04 – Reporting/Investigating Fraudulent Acts

04.A.01 – Audits by External Auditors

04.A.02 – Audits by Internal Auditing

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42 COMPLIANCE

42.01 Institutional Compliance

The chancellor, as chief executive officer of the System, is responsible for ensuring the implementation of an institutional compliance program for the System. Accordingly, the System-wide Compliance Officer prepares an executive summary of all institutional compliance activity of the component institutions.

42.01.1 System-Wide Compliance Officer

The System-wide Compliance Officer is responsible, and will be held accountable for, apprising the chancellor and the Audit and Compliance Committee of the institutional compliance functions and activities at each of the component institutions as set out in

Subparagraph B, below. The System-wide Compliance Officer provides institutional compliance assistance to the chancellor and the vice chancellors in the exercise of their responsibilities.

A. **Appointment:** The System-wide Compliance Officer shall be appointed by the chancellor. The System-wide Compliance Officer is the senior compliance official of The University of Houston System, provides assistance and advice covering all component compliance programs, and shall hold office without fixed term, subject to the pleasure of the chancellor.

B. **Duties and Responsibilities:** The primary responsibilities of the System-wide Compliance Officer include developing an infrastructure for the effective operation of The University of Houston System Institutional Compliance Program; chairing the System-wide Compliance Officers Council; and prescribing the format for the annual risk-based compliance plan and the quarterly compliance status reports to be submitted by each component institution. (11/18/04)

Texas Education Code § 51.971 – Compliance Program

42.02 Identity Theft Prevention Program

The chancellor, as Chief Executive Officer of the System, is responsible for ensuring the implementation of an identity theft prevention program which adheres to the Federal Trade Commission’s Red Flag Rule under sections 114 and 315 of the Federal Fair and Accurate Credit Transactions Act. At least annually, the System-wide compliance officer prepares an executive summary of all activities of the Identity Theft Prevention Programs of the component institutions. (12/16/08)

Federal Fair and Accurate Credit Transactions Act, Pub.L. 108-159.
Federal Trade Commission Red Flag Rule, 16 C.F.R. § 681.2.

System Administrative Memoranda (SAMs)
01.C.14 – Identity Theft

49 AUDIT AND COMPLIANCE MISCELLANEOUS

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SECTION VI – ADMINISTRATION AND FINANCE

51 REAL ESTATE

51.01 Acquisition and Sale of Property

The acquisition and sale of all real property shall be approved by the Board in compliance with Policy 55.01 with at least two (2) appraisals in demonstrating fair market value. Real property with a fair market value of less than \$50,000 may be demonstrated by approved documentation other than by appraisal. All acquisitions and sales of real property shall be by an approved purchase agreement and special warranty deed in transferring title, including appropriate qualifying language. All documentation must be reviewed and approved by the Office of the General Counsel. (02/16/11)

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Related Statutes, Policies, or Requirements

Texas Education Code § 55.11 – General Authority
Texas Education Code § 111.39 – Acquisition and Disposal of Land

System Administrative Memoranda (SAMs)
01.C.08 – Receiving Gifts of Real Property
03.A.05 – Contract Administration
03.F.05 – Conveyance of Real Property

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52 PROPERTY

52.01 Abandoned and Unclaimed Personal Property

The Board delegates to the chancellor the authority and responsibility for the safekeeping and appropriate disposition of unclaimed or abandoned personal property found on university grounds. Disposition of abandoned or unclaimed property shall be in accordance with state statutes. (05/17/07)

Related Statutes, Policies, or Requirements

Texas Education Code § 51.213 – Abandoned Personal Property

System Administrative Memoranda (SAMs)

03.E.03 – Disposition of Abandoned and Unclaimed Personal Property

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53 FACILITIES

53.01 Works of Art

The System-wide Art Acquisition Committee (SWAAC) shall provide art acquisition services for the administration. The Committee shall be appointed by the Board according to guidelines noted in the SWAAC procedures manual.

53.01.1 Acquisition of Works of Art

This policy pertains to construction projects in excess of \$1,000,000 involving construction of a new building or the addition of square footage to an existing building. One percent of the construction costs shall be allocated for the acquisition of art for the project. Of the 1% allocated, up to 10% may be set aside for the operating budget supporting the System-wide Art Acquisition Committee (SWAAC). The determination will be made by the vice chancellor for administration and finance in consultation with the chancellor.

Any college, foundation, corporation, or other entity wishing to contribute to new facilities, donate, participate in a joint venture, or otherwise give or create new facilities with any component of the System must include, as part of the project cost, at least one percent of the construction cost for the commissioning, selection, and installation of art. The Board delegates to the chancellor or his/her designee the authority to identify and acquire art. All works of art acquired through the process must be recommended by the SWAAC in accordance with the SWAAC Procedures Manual approved by the chancellor. (05/17/07)

Related Statutes, Policies, or Requirements

Texas Government Code § 444.029 – Expenditures for Fine Arts Projects on Certain Public Construction Projects

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53.02 Building Identification Plaques

Building identification plaques shall be placed in all new buildings constructed by the System.

53.02.1 Contents

Building identification plaques shall contain:

- A. the name of Texas governor at the time of approval of the project;
- B. the names of chair, vice chair, secretary and other members of the Board at the time of approval of the project;
- C. the names of the chancellor and component university president at the time of approval of the project;
- D. the names of architects;
- E. the name of general contractor;
- F. the year project is approved; and
- G. the year building construction is completed.

53.02.2 Definitions

The “time of approval” date shall be the date the Board approves the project program, budget, schedule, and schematic design.

The “completion” date shall be the date established by the certificate of substantial completion as issued by the architect and approved by the vice chancellor for administration and finance.

53.02.3 Funding

Building identification plaques will be paid for from project funds. (05/17/07)

53.03 Selection and Approval of Professional Services and General Contractors

53.03.1 The Board delegates to the chancellor the authority to select and approve the services of architects, engineers, and general contractors for construction and renovation projects requiring Board approval and to execute appropriate contracts to secure the aforementioned services.

Two weeks prior to the preparation of a selection list for an architect or engineering firm, the vice chancellor for administration and finance will provide the Board with information about the proposed project. This information will include qualification criteria to be used in evaluating firms for the designated project, a timeline for the selection process and other information as is appropriate in the circumstances. Board members may provide suggestions about firms they believe should be considered. The

vice chancellor for administration and finance will provide the chancellor with a recommended firm.

53.03.2 The Board delegates to the chancellor, or his/her designee, the authority to select, approve, and execute appropriate contracts to secure the following services:

A. Architects, engineers, and general contractors for projects not requiring Board approval; and,

B. Professional services firms relating to testing, real estate, environmental issues, and HVAC Systems, for all construction and renovation projects, and professional services for other projects as authorized by the chancellor not requiring Board approval. (05/17/07)

Related Statutes, Policies, or Requirements

Texas Education Code §§ 51.776 – 51.785 – Construction and Repair of Permanent Improvements

Texas Government Code § 2254.004 – Contract for Professional Services of Architect, Engineer, or Surveyor

System Administrative Memoranda (SAMs)

01.B.03 – Selection of Architectural and Engineering Firms

01.B.05 – Signature Authority for Construction Contracts

01.B.07 – Facilities Acquisition, Construction or Renovation

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53.04 Approval of Construction Projects

The vice chancellor for administration and finance shall present for approval to the Board projects for new construction or major repair and rehabilitation of buildings and facilities when the total cost is equal to or greater than the submittal threshold requiring Texas Higher Education Coordinating Board (“THECB”) action. In such cases, the Board will be presented with the project, budget, schedule and, if applicable, a program and schematic design. Once a project is approved by The Higher Education Coordinating Board, the Board delegates to the chancellor the authority to negotiate and execute all appropriate contracts and easements required to accomplish the project provided it is within the approved scope and budget of the project. In the event project budget increases do not exceed an aggregate amount of \$1,000,000, additional approval is not required by the Board. (05/17/07)

Related Statutes, Policies, or Requirements

Texas Constitution Art. VII, § 17 – Colleges and Universities: Appropriations and Funding

Texas Education Code §§ 51.776 – 51.785 – Construction and Repair of Permanent Improvements

Texas Education Code §§ 62.001 – 62.027 – Constitutional and Statutory Funds to Support Institutions of Higher Education

System Administrative Memoranda (SAMs)

01.B.05 – Signature Authority for Construction Contracts

01.B.07 – Facilities Acquisition, Construction or Renovation

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54 GROUNDS

55 FINANCE

55.01 Contracts

No person has the authority to bind the System contractually except in accordance with this policy.

55.01.1 Board Approval

In an open meeting, the Board must approve:

- A. contracts for the purchase, gift or acquisition of real property;
- B. contracts for the sale of real property or conveyance of any rights in real property;
- C. as lessee, all real estate leases, lease renewals and extensions, if the obligation of the lease is equal to or greater than the submittal threshold requiring THECB action.
- D. banking agreements; (02/16/10)
- E. any single procurement contract for any equipment, goods and services, not specified above, which is expected to exceed \$1,000,000 in a fiscal year with exception of contracts that fall within and are a part of approved construction projects set forth in Section 55.04 or investment agreements; (02/16/10)

- F. any extension, modification, or renewal of an existing contract which is expected to exceed \$1,000,000 in a fiscal year with the exception of investment agreements; (02/16/10)
- G. any series of contracts which are initiated in the same department for the same goods or services with the same party within a fiscal year, that, if combined in one contract, would require Board approval or reporting;
- H. any other contract the Board might designate as having significant importance to require Board approval.

55.01.2 Delegation of Authority for Contracts Requiring Board Approval

- A. *Delegation to the Chancellor.* The chancellor shall execute all contracts approved by the Board.
- B. *Delegation by the Chancellor.* All delegations of contracting authority shall be in writing, approved by the chancellor, and filed with the Board. No employee, officer, or agent of the System shall have the authority to execute contracts unless delegated such authority pursuant to this policy.
- C. *General Counsel Review.* All contracts must be reviewed and approved as to form by the Office of the General Counsel before execution. The Office of the General Counsel may approve uniform contracts which, thereafter, may be used without additional review and approval by the Office of General Counsel if no changes or alterations have been made to the contract or those that require Board approval.
- D. *Construction Contract Review.* The System office of Facilities and Planning shall review all plans, specifications and bidding documents for compliance with applicable state laws governing their areas of responsibility prior to being released for bidding.
- E. *Emergencies.* In the event of a bona fide emergency, as declared by the chairman of the Board upon consultation with the chancellor, the chancellor may enter into a contract that would otherwise require Board approval under this policy, provided that the chancellor submits such contract to the Board for ratification at the next regular meeting of the Board.

55.01.3 Delegation of Authority for Contracts not Requiring Board Approval

- A. *Delegation to the Chancellor.* The chancellor may negotiate, execute, and administer all contracts and related necessary legal documents and instruments not requiring Board approval according to section 55.01.
- B. *Delegation by the Chancellor.* The chancellor may delegate the authority granted by section 55.01.3A to System administration officers or the presidents, according to their areas of responsibility. The chancellor may approve the further delegation of such authority by System administrative officers or the presidents as is appropriate.

C. *General Counsel Review.* All contracts must be reviewed and approved as to form by the Office of General Counsel before execution. The Office of General Counsel may approve uniform contracts which, thereafter, may be used without additional review and approval by the Office of General Counsel if no changes or alterations have been made to the contract.

D. *Construction Contract Review.* When total project costs of a new construction and/or renovation project are \$300,000 or less, each component shall ensure that all plans, specifications, and bidding documents are reviewed for compliance with applicable state laws prior to being released for bidding. When total project costs are greater than \$300,000, the System's office of Facilities Planning and Construction shall manage such projects, including review of all plans, specifications and bidding documents for compliance with applicable state laws prior to being released for bidding.

55.01.4 Reporting to the Board

Following the end of each fiscal year, a report shall be submitted to the Board listing all professional service or consulting contracts where total compensation from System-wide sources to a single entity exceeded \$250,000 during the fiscal year. (05/17/07)

Related Statutes, Policies, or Requirements

Texas Education Code §§ 51.776 – 51.785 – Construction and Repair of Permanent Improvements

Texas Education Code § 111.34 – Contracts

State of Texas Contract Management Guide.

http://www.window.state.tx.us/procurement/pub/contractguide/CMG_Version_1.4.pdf

System Administrative Memoranda (SAMs)

01.B.05 – Signature Authority for Construction Contracts

01.B.07 – Facilities Acquisition, Construction or Renovation

03.A.05 – Contract Administration

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55.02 Competitive Bidding

The purpose of this policy is to achieve efficiency in the expenditure of System funds for goods and services, to prevent favoritism or the appearance of favoritism, to secure the best goods and services at the lowest practical cost, and to stimulate competition.

55.02.1 Applicability

- A. This policy applies to all contracts that require the approval of the Board under Board Policy 55.01.
- B. This policy shall not be construed as enlarging or restricting the competitive bidding requirements imposed by state or federal law or administrative rule, regulation, or order.
- C. This policy shall not apply to any situation where the service or product to be contracted for is unique and/or is available from only one source or where procurement is allowed without competitive bidding standards as allowed by law.

55.02.2 Competitive Bidding Required

- A. The Board will only enter into a contract when the contracting party was selected pursuant to a competitive bidding process designed to fulfill the purposes of this policy except when otherwise prohibited by law.
- B. This policy does not mandate any particular form of bidding process for every contract. However, any such process must meet the following minimum requirements:
 - 1. when the subject matter warrants, the process should permit a reasonably objective analysis of bidding responses;
 - 2. the process should provide enough advance information through invitations to bid or requests for proposals so as to invite bids from as many eligible sources as practicable;
 - 3. when appropriate, based on subject matter, the process should invite creativity in the delivery of goods or services
 - 4. the process should recognize qualitative as well as quantitative comparisons of responses or proposals; and
 - 5. no evaluation or comparison of bids should be conducted until the time has expired for receiving all bids or requests for proposals.
- C. The Board shall have the authority to reject non-responsive bids or proposals, or to reject all bids or proposals. However, the Board may, in its sole discretion, waive deficiencies in bidding that do not have a material impact on the overall fairness of the process.
- D. The Board is not obligated to contract with the lowest bidder, but rather with the most appropriate bidder given the totality of the System's needs. (05/17/07)

Related Statutes, Policies, or Requirements

Texas Education Code §§ 51.778 – Competitive Bidding on Contracts
Texas Education Code §§ 51.779 – Evaluation of Bids and Proposals for Construction Services
Texas Education Code §§ 51.9335 – Acquisition of Goods and Services
Texas Education Code §§ 111.34 – Contracts

State of Texas Contract Management Guide
http://www.window.state.tx.us/procurement/pub/contractguide/CMG_Version_1.4.pdf

System Administrative Memoranda (SAMs)
01.B.05 – Signature Authority for Construction Contracts
01.B.07 – Facilities Acquisition, Construction or Renovation
03.A.05 – Contract Administration
03.B.01 – Purchasing Guidelines

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55.03 Travel Reimbursement

The Board delegates to the chancellor or his/her designee the authority to approve all travel reimbursements from appropriated or other funds. All such reimbursements must be in compliance with the rules and regulations set out in state law.

The Texas Education Code section 51.555 allows the University of Houston System to pay for the regents' actual expenses, including travel expenses, incurred in attending the work of the Board subject to the approval of the Board chair. Any incremental travel expenses incurred by the University of Houston System or by a Board member on behalf of a Board member's spouse, dependents or guests, in attending the work of the Board, are the sole responsibility of the Board member. (05/17/07)

Related Statutes, Policies, or Requirements

Texas Education Code §§ 111.15 – Compensation
Texas Government Code, Chapter 660 – Travel Expenses

System Administrative Memoranda (SAMs)
01.C.05 – Executive Travel
03.A.03 – Business Travel
03.A.21 – Employee's Family Travel Expenses

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55.04 Historically Underutilized Businesses ("HUB")

The Board adopts the following policy to comply fully with the letter and the spirit of Chapter 2161 of the Texas Government Code, and the applicable provisions of the current Appropriations Act. The Board pledges to:

- A. reaffirm the System's commitment to the principles of equal opportunity for all businesses and to act affirmatively to increase the participation of historically underutilized businesses in the System's procurement processes;
- B. encourage participation in procurement from HUB;
- C. foster further expansion and development of HUB;
- D. actively assist HUB in Texas, particularly in the areas served by the various component universities, in becoming familiar with the procurement processes of the System;
- E. support growth and new business opportunities in the areas served by the System, thereby promoting the economic development of the state;
- F. expand the number of suppliers and contractors seeking to provide goods and services to the System, thereby encouraging competition, with the ultimate goal of improving quality and economy of goods and services purchased by the System;
- G. support and encourage the improvement of business conditions encountered by HUB; and
- H. heighten awareness throughout the System and the communities served by the System, of the capabilities and needs of HUB that can provide goods and services for the System.

55.04.1 Applicability

- A. This policy applies to all purchases and procurements of goods and services for the System and its component universities.
- B. It is the intent of the System that the goals of this policy will apply to the hiring of subcontractors by its contractors. This intent will be reflected in bid documents and in the provisions of all contracts.
- C. This policy shall not be construed as permitting variation from competitive bidding requirements as imposed by state or federal law or administrative rule, regulation, or order.

55.04.2 Definitions

- A. "Historically Underutilized Business" ("HUB") means:
 - 1. a for-profit corporation, sole proprietorship, partnership, joint venture or supplier contract between an economically disadvantaged business with principal place of business in this State, and a prime contractor;
 - 2. designated by the State Purchasing and General Services Commission; and

3. in which at least 51 percent of all classes of the shares of stock or other equitable securities are owned by one or more persons who are economically disadvantaged because of their identification as members of certain groups, including Black Americans, Hispanic Americans, women, Asian Pacific Americans, and Native Americans, who have suffered the effect of discriminatory practices or similar insidious circumstances over which they have no control and who have a proportionate interest and demonstrate active participation in the control, operation, and management of the corporation's affairs.

The General Services Commission will certify a business enterprise meeting the above criteria.

55.04.3 Assessment

- A. Each component university and the designated person for the System administration will report annually to the chancellor or his/her designee on purchases and contracts with HUB.
- B. Each March and September the chancellor or his/her designee shall report on the purchases and contracts awarded to HUB and all non-treasury funds spent with HUB for the previous six month period to the General Services Commission as required by the Texas Government Code.
- C. Each component university and the System administration will include in its strategic plan, a plan for increasing the use of HUB in purchasing and construction contracting as required by the TX Comptroller's Office. (05/17/07)

Related Statutes, Policies, or Requirements

Texas Government Code, Chapter 2161 – Historically Underutilized Businesses
34 Texas Administrative Code, Chapter 20 – Historically Underutilized Business Program

System Administrative Memoranda (SAMs)

03.A.05 – Contract Administration

03.B.01 – Purchasing Guidelines

03.B.02 – Contracting with Historically Underutilized Businesses (HUBs)

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55.05 Reduction in Asset Valuations

All reductions in asset valuations on the accounting records of the University of Houston System, including but not limited to accounts receivable, notes receivable, inventory, and capital assets, must be approved by the Board of Regents. (05/17/07)

55.06 Higher Education Assistance Fund (HEAF)

According to Article VII, Section 17 of the Texas Constitution, the Texas Legislature makes appropriations from the Higher Education Assistance Fund (HEAF) to the Boards of Regents of institutions of higher education, including the Board of Regents of the University of Houston System. The Board is responsible for authorizing HEAF expenditures by System components based on the chancellor's recommendation.

The chancellor is responsible for recommending HEAF expenditures to the Board based on System-wide priorities. The presidents are responsible for recommending university HEAF priorities to the chancellor, based on plans that identify the need to acquire land; to construct and equip buildings; to rehabilitate or make major repairs to buildings and facilities; to acquire capital equipment; and to acquire library books or other library materials. HEAF allocations are recommended annually during the budget process. (05/17/07)

Related Statutes, Policies, or Requirements

Texas Constitution Art. VII, § 17 – Colleges and Universities: Appropriations and Funding
Texas Education Code, Chapter 62 – Constitutional and Statutory Funds to Support Institutions of Higher Education

System Administrative Memoranda (SAMs)

01.B.07 – Facilities Acquisition, Construction, or Renovation

03.A.11 – HEAF Bond Proceeds Expenditure Reimbursements

03.B.01 – Purchasing Guidelines

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56 FEES

56.01 Concurrent Enrollment Fees

It is the policy of the Board to avoid undue economic hardship caused by the duplication of mandatory fees on students enrolled in two or more component universities. Subject to the limitations and conditions established by state law, such students may apply for and receive waivers or reductions of building use fees and student service fees under the regulations and procedures established by the System. (05/17/07)

Related Statutes, Policies, or Requirements

Texas Education Code § 54.011 - Tuition Limit in Cases of Concurrent Enrollment
Texas Education Code § 54.5061 – Student Services Fees; the University of Houston
Texas Education Code § 54.526 – Student Fees for University Centers; the University of Houston
Texas Education Code § 54.528 – Recreational Facility Fee; the University of Houston

56.02 Fees for Continuing Education Courses

In accordance with Section 54.545 of the Texas Education Code, the Board delegates authority to the chancellor, or his/her designee, to set fees for each continuing education course at each institution in an amount sufficient to permit the institution to recover the costs of providing the course. Fees will be charged only for a course for which the institution does not collect tuition or receive formula funding, including an extension course, correspondence course, or other self-supporting course.

Information regarding fees charged for continuing education courses shall be on file at each institution in the office of the president. (05/17/07)

Related Statutes, Policies, or Requirements

Texas Education Code § 54.545– Fees for Continuing Education Courses

56.03 Approval of Tuition, Fees and Other Charges

Tuition, fees, or other charges to students, faculty, staff, and the general public at any component university of the System shall be established or changed only in accordance with this policy.

56.03.1 Board Approval

The Board shall approve all fees and charges as allowed by law, or any amendment thereto, made by any component university for:

- A. tuition;
- B. student service fees;
- C. general fees;
- D. laboratory fees;

- E. computer use fees;
- F. general property deposits;
- G. room and Board within university housing for students; and
- H. parking privileges.

56.03.2 Delegation of Authority

Exclusive of those charges or fees requiring Board approval, the chancellor may set charges or fees, or any amendment thereto. At least once each fiscal year, the chancellor shall submit to the Board for its approval a list of such charges or fees.

56.03.3 Waivers

The chancellor or the presidents may waive fees or charges as allowed by law. (05/17/07)

Related Statutes, Policies, or Requirements

Texas Education Code Chapter 54 – Tuition and Fees
Texas Education Code § 55.16 – Board Responsibility

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57 PERSONNEL

57.01 Code of Ethics

57.01.1 All members of the Board and all employees of the System and its component universities shall adhere to the highest ethical standards of conduct reflected in state law and Board policies.

57.01.2 The System code of ethics is comprised of the following components:

- A. Statutory Standards of Conduct for State Employees, Section 572.051, Texas Government Code;
- B. the following Board policies:
 - 1. Academic Freedom (21.03)
 - 2. Sexual Harassment (29.02)

3. Governmental Appearances (81.01)
4. Consulting and Paid Professional Service (57.02)
5. Dual Office Holding (57.04)
6. Nepotism (57.07)
7. Conflicts of Interest (57.08)

57.01.3 All members of the Board and employees of the System and its component universities shall be furnished a copy of the laws and policies comprising the code of ethics at the time of employment or commencement of service and at the start of each academic year. (05/17/07)

57.01.4 All members of the Board shall annually sign conflict of interest certification statements affirming their compliance with their official oath and specific provisions of Texas statutes related to ethical behavior. (12/16/08)

Related Statutes, Policies, or Requirements

Texas Government Code § 572.051 – Standards of Conduct: State Agency Ethics Policy

UH System Board of Regents Policy 57.08 – Conflicts of Interest

System Administrative Memoranda (SAM)

02.A.09 – Conflict of Interest

02.A.29 – Ethical Conduct of Employees

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57.02 Consulting and Paid Professional Service

Full-time members of the faculty and professional or administrative staff may engage in external consultation or other paid professional services, provided such activities benefit the System and contribute to the professional development of the individual.

This privilege is subject in all instances to the conditions set forth below. Failure to comply with this policy may subject an employee to disciplinary action including reprimand, suspension, or termination.

57.02.1 The first responsibility of the individual is to the System, and outside professional commitments should not interfere with the person's full-time responsibility to the System.

57.02.2 No outside obligation should result in any conflict of interest involving the individual's responsibilities to the System or to its programs, policies, and objectives. Consulting and other professional agreements that represent actual or potential conflicts of interest must be avoided.

57.02.3 Use of System facilities, space, equipment, or support staff for consulting or other paid professional activities is permitted only if a financial arrangement has been concluded between the individual and the administration prior to the employee's beginning the outside consulting or other paid professional service.

57.02.4 Individuals may not represent themselves as acting in the capacity of System employees when conducting consulting or other paid professional activities. The System bears no responsibility for any actual or implied obligations or liabilities incurred by the individual resulting from a consulting or other paid professional agreement or activity.

57.02.5 Faculty who wish to arrange consulting or other paid professional activities must provide prior written notification to their dean. Review by their dean of such activities will include consideration of any real or apparent conflict of interest and the benefit of the proposed service to the System and the component university. Each faculty member who engages in consulting or other paid professional service, including teaching on a temporary basis at other institutions, must ensure that such activities do not require commitments of time averaging more than one day per calendar week, and must arrange such activities so as not to interfere with regularly scheduled classes.

57.02.6 Professional or administrative staff who wish to arrange consulting or other paid professional activities must obtain prior written approval from the appropriate supervisor. While consulting is a recognized aspect of faculty activities with the limitations noted in this document, consulting by professional or administrative staff must be justified on an individual basis by clear and direct benefit to the System.

57.02.7 When any of an individual's salary is paid from funds for externally sponsored activities, the time allowable for consultation or other paid professional activities must comply with sponsor requirements.

Unpaid public service is not included in this policy, nor are occasional lectures that include fees, unless these activities require significant amounts of time or otherwise conflict with regular System obligations.

Each president and the chancellor will establish a process for monitoring outside paid professional activities of their faculty and staff in order to ensure that such activities are consistent with the above policy and also serve System purposes. The chancellor will report to the Board annually on such activities. (05/17/07)

Related Statutes, Policies, or Requirements

Texas Government Code, Chapter 574 – Dual Office Holding
Texas Government Code § 572.051 – Standards of Conduct: State Agency Ethics Policy

System Administrative Memoranda (SAM)
02.A.08 – Consulting and Outside Employment (Paid Professional Service)
02.A.09 – Conflict of Interest
02.A.29 – Ethical Conduct of Employees

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57.03 Equal Employment Opportunity

The University of Houston System shall provide equal opportunity for employment to all persons regardless of race, color, religion, sex, national origin, disability, age, or veteran status, and shall strive to achieve full and equal employment opportunity throughout the System for faculty and staff employees. (05/17/07)

Related Statutes, Policies, or Requirements

Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. § 2000e (race, color, religion, sex, national origin)

Equal Pay Act of 1963, 29 U.S.C. 206(d) (sex)

Age Discrimination in Employment Act of 1967, 29 U.S.C. §§ 621-634 (age)

The Rehabilitation Act of 1973, Sections 501 & 505, 29 U.S.C. § 794 (disability)

Americans with Disabilities Act of 1990, as amended, Titles I & V, 42 U.S.C. § 12101, et seq. (disability)

Civil Rights Act of 1991 (42 U.S.C. § 1981)(race, color, disability, religion, sex, national origin, age)

Uniformed Services Employment and Reemployment Rights Act, 38 U.S.C. §4331 et seq., (veteran status)

Texas Labor Code, Chapter 21 – Employment Discrimination (race, color, disability, religion, sex, national origin, age)

40 Texas Administrative Code, Part 20, Chapter 819, Subchapters A-H – Texas Workforce Commission Civil Rights Division (race, color, disability, religion, sex, national origin, age)

System Administrative Memoranda (SAM)

01.D.05 – Equal Employment Opportunity

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57.04 Dual Office Holding

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VI - 17

The Board must give its approval before ~~the chancellor or a president of any component institution, may hold other non-elective state or federal office or position of honor, trust, or profit.~~ Approval must include formal findings that the dual office holding is of benefit to the state or required by state or federal law, and creates no conflict of interest. (02/16/11)

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Related Statutes, Policies, or Requirements

Texas Constitution, Art. XVI, § 12 – Members of Congress; Officers of United States or Foreign Power; Ineligibility to Hold Office

Texas Constitution, Art. XVI, § 40 – Holding More than One Office; Exceptions

Texas Government Code, Chapter 574 – Dual Office Holding

Texas Government Code § 572.051 – Standards of Conduct; State Agency Ethics Policy

System Administrative Memoranda (SAM)

02.A.08 – Consulting and Outside Employment (Paid Professional Service)

02.A.09 – Conflict of Interest

02.A.29 – Ethical Conduct of Employees

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57.05 Outside Employment or Appointments of Executive Officers

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The chancellor and executive officers of the System administration and the presidents and vice presidents of the component universities ~~may become members of a board of directors, trustees, regents, or of a corporation or institution's governing body by whatever name, if the position: 1) is of benefit to the state or is required by state or federal law, and 2) creates no conflict of interest.~~ Such service will usually be deemed to be in the best interest of the University of Houston System. Approval procedures for these positions will be as follows:

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57.05.1 The Board should be informed of a non-compensated appointment of the chancellor or a president of any component institution, including a statement that the appointment meets the two requirements stated above.

57.05.2 Prior to the chancellor or a president accepting an invitation to serve in an additional position that includes compensation greater than \$25,000. The board must approve this appointment and must also make an official record of the compensation, including salary, bonus, per diem or other types of compensation.

57.05.3 Compensation is defined as remuneration for services rendered, and does not include reimbursement of expenses whether by direct reimbursement or per diem.

57.05.4 The Board delegates to the chancellor the authority to approve outside employment or appointments for the vice-chancellors of the system and each president is delegated the authority to approve for their vice-presidents. in compliance with the requirements stated above. (02/16/11)

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Related Statutes, Policies, or Requirements

Texas Constitution, Art. XVI, § 40 – Holding More than One Office: Exceptions

Texas Government Code, Chapter 574 – Dual Office Holding

Texas Government Code § 572.051 – Standards of Conduct: State Agency Ethics Policy

System Administrative Memoranda (SAM)

02.A.08 – Consulting and Outside Employment (Paid Professional Service)

02.A.09 – Conflict of Interest

02.A.29 – Ethical Conduct of Employees

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57.06 Leaves of Absence

The Board delegates to the chancellor or his/her designee the authority to grant extended leaves of absence to employees of the System. Leaves may be granted for such purposes as research and writing, education, other personal development, or extended illness, according to System guidelines. Leaves will be limited in duration to twelve months. (05/17/07)

Related Statutes, Policies, or Requirements

Texas Education Code §§ 51.101- 51.108 – Faculty Development Leaves of Absence

Texas Education Code § 51.948 – Restrictions on Contracts with Administrators

Texas Education Code § 51.961 – Leave Provisions for Employees of University System or Component Institution of System

Texas Government Code § 661.902 – Emergency Leave

Texas Government Code § 661.909 – Leave Without Pay; Leave of Absence

System Administrative Memoranda (SAM)

02.D.01 – Vacation and Sick Leave

02.D.04 – Leaves of Absence for Staff Employees

06.A.09 – Academic Personnel Policies

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57.07 Nepotism

Relatives of members of the Board shall not be employed by the System unless the employment took place at least one year prior to the appointment of the Board member. Relatives of other System employees shall not be employed by the System in positions where the employee has the official authority to hire or recommend or approve the hiring, salary, or promotions of the relative.

Relatives shall not be employed in the supervisory-subordinate relationship even if it results from marriage after the employment relationship was formed. The provisions of this policy apply to all System programs regardless of funding source.

For the purposes of this policy, the term "relative" is defined as anyone related to the employee within the second degree of affinity or the third degree of consanguinity and includes the employee's spouse and the employee's or the spouses' parents, grandparents, great grandparents, brothers, sisters, half brothers and sisters, children, grandchildren, great grandchildren, aunts, uncles, nieces, nephews, first cousins, second cousins, and persons married to them. (11/26/07)

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Related Statutes, Policies, or Requirements

Texas Government Code § 572.051 – Standards of Conduct: State Agency Ethics Policy

Texas Government Code § 573.041 – Prohibition Applicable to Public Official

UH System Board of Regents Policy 57.08 – Conflicts of Interest

System Administrative Memoranda (SAM)

02.A.21 – Nepotism

02.A.29 – Ethical Conduct of Employees

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57.08 Conflicts of Interest

All members of the Board and employees of the System and its component universities shall adhere to and be furnished a copy of the Statutory Standards of Conduct for State Employees, Section 572.051, Texas Government Code, and shall avoid conflicts of interest, generally described as the use of one's university employment or position to obtain unauthorized privileges, benefits, or things of value for oneself or others, including the following:

57.08.1 No Board member or employee shall solicit, engage, or agree to accept any privilege, benefit or thing of value for the exercise of his/her discretion, influence, or powers as an employee or regent, except as is allowed by law.)

57.08.2 No Board member or employee shall accept any privilege, benefit, or thing of value that might influence him or her in the discharge of his/her duties as an employee or regent.

57.08.3 No Board member or employee shall use his/her position to secure special privileges or exemptions for himself or herself or others, except as is allowed by law.

57.08.4 No Board member or employee may be an officer, agent, employee, or member of, or own an interest in a professional activity that foreseeable might require or induce him or her to disclose confidential information acquired by reason of his/her System position.

57.08.5 No Board member or employee shall accept employment or engage in any business or professional activity that foreseeable might require or induce him or her to disclose confidential information acquired by reason of his/her System position.

57.08.6 No Board member or employee shall disclose confidential information gained by reason of his/her System position, nor shall he/she otherwise use such information for his/her personal gain or benefit.

57.08.7 No Board member or employee shall transact any business for the System with any entity of which he/she is an officer, agent, employee, or member, or in which he/she owns a significant interest.

57.08.8 No Board member or employee shall make personal investments in any enterprise that foreseeable might create a substantial conflict between his/her private interests and the System's interests.

57.08.9 No Board member or employee shall accept other employment that might impair his/her independence of judgment in the performance of his/her System duties.

57.08.10 No Board member or employee shall receive any compensation for his/her services to the System from any source other than the State of Texas except as is allowed by law.

57.08.11 No Board member or employee who exercises discretion in connection with contracts, purchases, payments, claims, or other pecuniary transactions shall solicit, accept, or agree to accept any benefit from a person or entity the employee knows or should know is or is likely to become financially interested in such transactions.

Failure of any employee to comply with the foregoing shall constitute grounds for discharge or other disciplinary action. (05/17/07)

Related Statutes, Policies, or Requirements

Texas Government Code § 572.051 – Standards of Conduct; State Agency Ethics Policy

UH System Board of Regents Policy 57.01 – Code of Ethics

System Administrative Memoranda (SAM)

02.A.09 – Conflict of Interest

02.A.29 – Ethical Conduct of Employees

03.A.17 – Disclosure of Related Party Interests

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57.09 Sick Leave Pool

The Board delegates to the chancellor the authority and responsibility to adopt and implement a program within the System to allow employees voluntarily to transfer sick leave time earned by the employee to a sick leave pool, administered by the chancellor or his/her designee, for the benefit of eligible employees suffering from catastrophic illnesses or injuries. The chancellor shall not be eligible to participate in the sick leave pool. (05/17/07)

Related Statutes, Policies, or Requirements

Texas Government Code Section 661.001 – 661.008 – State Employee Sick Leave Pool

Texas Education Code Section 51.961 – Leave Provisions for Employees

System Administrative Memoranda (SAM)

02.D.01 – Vacation and Sick Leave

02.D.02 – Sick Leave Pool

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57.10 Executive Management Employees

~~The authority to approve all executive management employee appointments, to the extent they are not System Executive Officers as defined in Board policy 02.02 is delegated to the chancellor and will also be reported to the Board. The Board delegates to the chancellor or his/her designee, the authority to make interim appointments for executive management employees. The Board further delegates to the chancellor or his/her designee, the authority to approve all other faculty, professional, and administrative actions. Executive management employees are considered administrative employees, and conditions of service are governed by policies relating to administrative employees.~~

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57.10.1 Executive management employees include persons serving in the following positions: Chancellor, Vice Chancellor, General Counsel, President, Vice President,

Dean (Academic), Chief Audit Executive, and their equivalents (e.g., an administrative head of a recognized department reporting directly to the chancellor or president).

57.10.2 Executive management employment agreements will contain the following elements, where applicable: Period of Service, Base Salary, Benefits, Deferred Compensation, Perquisites, Separation, Appointments of Tenured Faculty Members, and Performance Incentives.

57.10.3 For those executive management employees who also hold tenured faculty positions, the following additional provisions apply:

- A. The determination of the *administrative rate* to be paid to an executive management employee is based on the traditional criteria of scope of responsibility, marketplace, and individual qualifications, provided, however, that the rate falls within the salary range paid to individuals holding comparable positions at similar institutions. In addition to the administrative rate, an *academic rate* is also determined for a tenured faculty member who serves in an executive management position, to be used as the original basis for establishing the salary of the individual at the time he/she returns to his/her regular faculty position. This academic rate is based on an assessment of current salary rates for comparably ranked faculty in the faculty member's discipline and the relative qualifications of the faculty member within that discipline. Though the academic rate is initially set at the time of the appointment to the executive management position, it is subject to adjustment based on the length of time the individual serves in the executive management position, and will reflect an increment not less than the average increment of the faculty members in his/her discipline and at his/her rank.
- B. If provided in the employment agreement, a tenured faculty member may be eligible for a paid leave assignment for a period of up to one year in order to prepare to return to academic duties. The duration of the paid leave assignment should be reasonably related to the length of time that the individual has served in administrative position(s) and therefore removed from normal academic responsibilities. Eligibility for the paid leave assignment is contingent upon an expressed intention to resume academic duties and is grounded in recognition of the need to support an individual during the time he/she is retooling for the purpose of returning to faculty duties. A faculty member terminated for cause from an executive management position is not eligible for a paid leave assignment. If a faculty member accepts other employment during the period of the paid leave assignment, all salary entitlement will cease.

57.10.4 This policy is effective for all appointments made to executive management positions after the time of approval of the policy, June 20, 1996. *(02/16/11)*

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Related Statutes, Policies, or Requirements

Texas Education Code §§ 51.101- 51.108 – Faculty Development Leaves of Absence

Texas Education Code § 51.948 – Restrictions on Contracts with Administrators
Texas Education Code § 111.19 – Personnel: Appointments, Salaries, Etc.
Texas Education Code § 111.20 – University of Houston System
Texas Education Code § 111.21 – System Central Administration Office: Chief Executive Officer

UH System Board of Regents Bylaw 2.4
UH System Board of Regents Bylaw 2.6
UH System Board of Regents Policy 02.02

System Administrative Memoranda (SAM)
06.A.09 – Academic Personnel Policies

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58 Financial Advisors and Service Providers

58.01 Disclosure

Financial advisors and service providers which include a person or business entity who acts as a financial advisor, financial consultant, money or investment manager or broker shall comply with the disclosure requirements contained in Texas Government Code Section 2263.005. Financial Advisors and service providers must:

- A. make full and fair disclosure of all matters that could reasonably be expected to impair their independence and objectivity or interfere with their respective duties to the University of Houston System; and
- B. on an annual basis, communicate the relevant information using the Texas State Auditor's Office Uniform Disclosure Form. (05/17/07)

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Related Statutes, Policies, or Requirements

Texas Government Code, Chapter 2263 – Ethics and Disclosure Requirements for Outside Financial Advisors and Service Providers

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58.02 Standards of Conduct for Financial Advisors and Service Providers

58.02.01 Code of Ethics.

Financial advisors and service providers under contract with the University of Houston System shall:

- A. act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, and colleagues in the investment profession;
- B. use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, or engaging in other professional activities;
- C. practice, and encourage others to practice, in a professional and ethical manner that will reflect credit on themselves and the profession;
- D. maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals; and
- E. place the interest of clients, the interest of their employer, and the integrity of the investment profession above their own personal interest.

58.02.02 Standards of Professional Conduct

Financial advisors and service providers under contract with the University of Houston System:

- A. must understand and comply with all applicable laws, rules, and regulations of any government agency, regulatory organization, licensing agency, or professional association governing their professional activities;
- B. must not knowingly participate or assist in, any violation of such laws, rules, or regulations;
- C. must use reasonable care and judgment to achieve and maintain independence and objectivity in their professional activities;
- D. must not offer, solicit, or accept any gift, benefit, compensation, or consideration that could be reasonably expected to compromise their own or another's independence and objectivity;
- E. must not make any statements that misrepresents facts relating to investment analysis, recommendations, actions, or other professional activities;
- F. must not engage in any professional conduct involving dishonesty, fraud, deceit, or commit any act that reflects adversely on their integrity, trustworthiness, or professional competence;

G. must exercise due diligence, independence, and thoroughness in conducting investment analysis, making investment recommendations, and taking investment actions; and

H. must have a reasonable and adequate basis, supported by appropriate research and investigation, for any investment analysis, recommendation, and action.

58.02.03 The above standards of conduct are derived from the Association for Investment Management and Research code of ethics and standards of professional conduct.
(05/17/07)

Related Statutes, Policies, or Requirements

Texas Government Code, Chapter 2263 – Ethics and Disclosure Requirements for Outside Financial Advisors and Service Providers

CFA Institute (formerly known as the Association for Investment Management and Research) – Code of Ethics and Standards of Professional Conduct

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69 ADMINISTRATION AND FINANCE MISCELLANEOUS

SECTION VII – ENDOWMENT MANAGEMENT

71 ENDOWMENTS

71.01 Minimum Endowment Levels

The Board encourages gifts of all sizes; however, the high cost of administering endowment accounts requires a minimum acceptable endowment threshold. The Board authorizes the chancellor to establish minimum funding levels for endowments. (05/17/07)

Related Statutes, Policies, or Requirements

Texas Property Code, Chapter 163 – Uniform Management of Institutional Funds Act

Texas Education Code § 51.0031 – Deposits and Investments

Texas Education Code § 51.004 – Separate Accounts; Trust Funds; Interest

Texas Education Code § 51.008 – Certain Receipts to be Deposited in State Treasury

Texas Government Code, Chapter 2256 – Texas Public Funds Investment Act

System Administrative Memoranda (SAM)

03.F.01 – Gift Acceptance

03.F.02 – Endowment Management

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71.02 Pooled Investment Funds

To promote the effective implementation of the Board's investment philosophy, assets of individual endowments, except where prohibited, are co-mingled with assets of other endowments in the purchase of shares, called units, of open-ended, pooled investment funds administered by the System. The Pooled Investment Fund is intended to provide a predictable source of income to meet current needs, and to provide growth through market value appreciation. At least once annually, the vice chancellor for administration and finance will recommend to the Board of Regents' Administration and Finance Committee the asset allocation to be maintained by the investment managers. The asset allocation should ensure capital growth and income production in appropriate proportions to preserve the assets' real value and the long-range purchasing power of endowment income. (05/17/07)

Related Statutes, Policies, or Requirements

Texas Property Code, Chapter 163 – Uniform Management of Institutional Funds Act

Texas Education Code § 51.0031 – Deposits and Investments

Texas Education Code § 51.004 – Separate Accounts; Trust Funds; Interest
Texas Education Code § 51.008 – Certain Receipts to be Deposited in State Treasury
Texas Government Code, Chapter 2256 – Texas Public Funds Investment Act

System Administrative Memoranda (SAM)
03.F.01 – Gift Acceptance
03.F.02 – Endowment Management
03.F.03 – Distribution of Income from Selected Endowments

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71.03 Management of Endowments

71.03.1 Investment Management

Except for alternative investments, all endowment investment portfolios are managed by the System's external investment managers; alternative investments may be externally managed or managed internally by the vice chancellor for administration and finance. All investments are managed in accordance with the Endowment Fund Statement of Investment Objectives and Policies approved by the Board. The Endowment Fund Statement of Investment Objectives and Policies is on file in the Board of Regents office and on the Treasury website. (05/17/07)

Related Statutes, Policies, or Requirements

Texas Property Code, Chapter 163 – Uniform Management of Institutional Funds Act
Texas Education Code § 51.0031 – Deposits and Investments
Texas Education Code § 51.004 – Separate Accounts; Trust Funds; Interest
Texas Education Code § 51.008 – Certain Receipts to be Deposited in State Treasury
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System Administrative Memoranda (SAM)
03.F.01 – Gift Acceptance
03.F.02 – Endowment Management
03.F.03 – Distribution of Income from Selected Endowments

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72 INVESTMENTS

72.01 Investment Objectives

02/16/10

VII - 2

The System shall invest all endowments, local, or other available funds to optimize return on investment to the extent possible, balanced with the appropriate level of risk. All investments should comply with the goals of the System, its component universities, and all appropriate laws and restrictions.

72.01.1 Local Funds

The treasurer or an external investment manager approved by the Board shall invest all local funds in accordance with Investment Policy for Non-Endowed Funds approved by the Board. All demand deposits shall be collateralized as required by law. Longer-term funds shall be invested to ensure safety of principal, liquidity, and maximum yield with primary emphasis on safety and liquidity.

72.01.2 Bond-Related Funds

Proceeds from the issuance of bonds and revenues designated for debt repayment are invested in accordance with bond resolution investment instructions. Bond-related funds are managed by the treasurer. (05/17/07)

Related Statutes, Policies, or Requirements

Texas Property Code, Chapter 163 – Uniform Management of Institutional Funds Act
Texas Education Code § 51.0031 – Deposits and Investments
Texas Education Code § 51.004 – Separate Accounts; Trust Funds; Interest
Texas Education Code § 51.008 – Certain Receipts to be Deposited in State Treasury
Texas Government Code, Chapter 2256 – Texas Public Funds Investment Act

System Administrative Memoranda (SAM)

03.F.01 – Gift Acceptance

03.F.02 – Endowment Management

03.F.03 – Distribution of Income from Selected Endowments

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79 ENDOWMENT MANAGEMENT MISCELLANEOUS

SECTION VIII - EXTERNAL AFFAIRS

81 GOVERNMENTAL RELATIONS

81.01 Governmental Appearances

All System and component university employees appearing before Congress, the Texas Legislature, City, County, or governmental body, or their agencies, committees, or members to offer testimony, opinions, or commentary in regard to existing or potential laws, rules, or regulations, not expressly authorized to do so by the Board or the chancellor, must clearly state in advance that they are appearing in their individual capacities and that their testimony, opinions, and commentary are not authorized by, and must not be construed as reflecting on, the position of the System. (05/17/07)

Related Statutes, Policies, or Requirements

Texas Government Code § 321.022 – Coordination of Investigations

Texas Government Code § 556.003 – State Employees' Rights

System Administrative Memoranda (SAM)

09.A.01 – Governmental Appearances

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89 EXTERNAL AFFAIRS MISCELLANEOUS

UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA

COMMITTEE:

ITEM: Approval is requested of professional, civic and business boards on which the Chancellor currently serves

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

Pursuant to University of Houston System Board of Regents' policy, the Chancellor provides a list of the various boards of directors on which she currently serves.

SUPPORTING DOCUMENTATION: List of Civic and Professional Boards

FISCAL NOTE:

RECOMMENDATION/
ACTION REQUESTED: Information

COMPONENT: University of Houston System

CHANCELLOR

Renu Khator

Renu Khator

DATE

2-2-11

**Chancellor/President Renu Khator's
Board Memberships – Current
February 1, 2011**

International:

Indian Prime Minister's Global Advisory Council (2009 – present)

National:

Federal Reserve Bank of Dallas, Board of Directors (2011)

American Council on Education (2011)

Urban Serving Universities Board of Directors (2009 – present)

Business-Higher Education Forum Board of Directors (2009 – present)

Conference USA Board of Directors, (2009 – present)

National Association of System Heads (2011-)

State:

Texas International Education Consortium (2008 – present)

Local:

Board of Directors, Houston Technology Center (2009 – present)

Institute of International Education, Southern Regional Center (2009-present)

Advisory Board, Arts of India Leadership Committee, Museum of Fine Arts Houston (2009 – present)

Board of Directors, Greater Houston Partnership (2008 – present)

Board of Advisors, Indian-American Chamber of Commerce of Greater Houston (2008 – present)

Texas Medical Center CEO Group (2008 – present)

The Methodist Hospital Research Institute Board (2008 – present)