

MINUTES

OF THE

SPECIAL TELEPHONIC MEETING OF THE

BOARD OF REGENTS

OF

THE TEXAS A&M UNIVERSITY SYSTEM

HELD IN

COLLEGE STATION, TEXAS

FEBRUARY 13, 2003

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**MINUTES OF THE
SPECIAL TELEPHONIC MEETING OF THE BOARD OF REGENTS
FEBRUARY 13, 2003**

A special telephonic meeting of the Board of Regents of The Texas A&M University System, was convened by Mr. Erle Nye, Chairman of the Board of Regents, at 8:38 a.m., on Thursday, February 13, 2003, in Room 145 of the Memorial Student Center, on the campus of Texas A&M University, College Station, Texas.

The following members of the Board were telephonically present:

Mr. Erle Nye, Chairman
Dr. Dionel E. Avilés, Vice Chairman
Mr. Phil Adams
Ms. Anne Armstrong
Dr. Wendy Gramm
Mr. L. Lowry Mays
Mr. Lionel Sosa
Mr. R.H. "Steve" Stevens
Dr. Susan Rudd Wynn

Mr. Nye reminded the Board that in accordance with the Texas Government Code, that allows governing boards to meet by telephone, each party to the conference call must clearly identify himself/herself prior to speaking. Mr. Nye said the purpose of this special meeting was to consider two agenda items: Item 1 - the Approval to Execute a Ground Lease Agreement for Phase V of On-Campus Housing Facilities at Prairie View A&M University. Item 2 - Authorize up to \$2.5 million for Fire and Life Safety Modifications to the Memorial Student Center Hotel and Memorial Student Center Annex at Texas A&M University.

Mr. Nye called on Dr. Jerry Gaston, Deputy Chancellor, to present Item 1. Dr. Gaston said that student enrollment at Prairie View A&M University (PVAMU) is growing very rapidly. He said in order to house freshmen on its campus, PVAMU is proposing to build 200 additional spaces.

Mr. Willie Tempton, Interim President of PVAMU, said this was part of the original plan, when they opened up Phase IV, to build 14 buildings. He said at that time, they did not have the necessary growth. Mr. Tempton said enrollment had increased 6.9 percent in the fall 2002 semester, 6.1 percent in the spring 2003 semester, and they expect at least the same increase in the fall 2003 semester. He said the need is definitely there.

Mr. Sosa expressed concerns about financing the project. Mr. Greg Anderson, Associate Vice Chancellor/Treasurer, responded that he has been talking with American Campus Communities (ACC) concerning financing changes. He said that they had informed him that part of the reason financing has changed is that the contingent

payment obligation burned off when an investment grade rating was received for Phase IV. He said that they had to work with their financier to move forward without a contingent payment obligation. Mr. Sosa asked if their financial situation was solid. Mr. Tom Kale, Vice Chancellor for Business Services, said that they feel very comfortable that ACC's financial situation was acceptable. He said that the System has done business with them for approximately six years and have no reason to believe that their financing is not solid. He said the banks that ACC works with are very diligent in reviewing every project they go into to make sure that it is solid and can be repaid to the bond holders.

Mr. Nye commented to Dr. Gaston that special telephonic meetings should be avoided, if at all possible. He said both agenda items were fairly significant projects and the administration has known about them for some time. He encouraged the administration to plan ahead.

Dr. Wynn asked in light of the budget cuts recommended by Governor Rick Perry, and the financial concerns that each institution is going to have, could Mr. Tempton justify going ahead with this project at this time. Mr. Tempton responded that this project is not impacted by general revenue. Dr. Avilés responded that we are not providing any funds.

The Board took action as set forth below:

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**MINUTE ORDER 37-2003 (AGENDA ITEM 1)**

**APPROVAL TO EXECUTE A GROUND LEASE AGREEMENT FOR  
PHASE V OF ON-CAMPUS HOUSING FACILITIES,  
PRAIRIE A&M UNIVERSITY**

Dr. Avilés made a motion for approval of the lease agreement. Dr. Wynn seconded the motion. Mr. Nye asked for further discussion. There was none. Mr. Nye said he would call each regent's name so that his/her vote could be properly recorded. The regents voted as follows: Adams - affirmative, Avilés - yes, Mays - yes, Stevens - yes, Armstrong - yes, Gramm - yes, Sosa - yes, Wynn - yes. Mr. Nye said he voted "affirmative" and the vote was unanimous. The following minute order was adopted:

The Chancellor of The Texas A&M University System, or his designee, following favorable recommendation by the System Real Estate Office and legal review by the Office of General Counsel, is authorized to execute a ground lease agreement with American Campus Communities, or assigns, which provides for the construction, maintenance, and operation of the Fifth Phase of On-Campus Housing Facilities at Prairie View A&M University, to be a part of University College.

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Mr. Nye called on Dr. Gaston to present Item 2. Dr. Gaston said that this item is a contingency plan that he hopes will not have to be used. Dr. Avilés asked Mr. Chuck Sippial, Vice President for Administration at Texas A&M University (TAMU), to explain the procedure based on visits from the State Fire Marshal.

Mr. Sippial said that in 2000, the State Fire Marshal inspected all the living quarters at TAMU and required that all facilities be brought up to current standards. He said that work on dormitories has almost been completed. Mr. Sippial said that part of that project included the Memorial Student Center (MSC) and the MSC Annex. He said that a commitment was made to have the work in the MSC and MSC Annex completed in 2001, but due to scheduling issues, they asked the Fire Marshal for an extension. Mr. Sippial said during the process, it was found that the asbestos problem in the MSC Annex was more extensive than they originally envisioned. He said they are meeting a Fire Marshal requirement (for sprinklers). He said when they inspected for asbestos, they found asbestos fibers in the return air plenum, as well as in the mechanical room and in the media room. He said as they progressed toward trying to get this work started, they also found some fibrous asbestos on some of the fixtures in the facility. He said what asbestos exists there today is not above the allowable limits; however, there is a possibility at some point in time, that it could happen that the amount of asbestos will exceed the approved limit. He said they feel that it is best to remove the asbestos at this time, which is a major part of the project, and also complete the Fire Marshal's requirements. Mr. Sippial said the project's estimated cost is approximately \$2 million. He said that it has been their experience that with projects of this sort (renovation, asbestos removal), there is always some type of hidden issue that cannot be anticipated. He said they do not want to be half way into the project and find that it exceeds the Chancellor's approval authority and they would have to get approval from the Board and the Texas Higher Education Coordinating Board (THECB). Mr. Sippial said they wanted to do this in advance and presently they are trying to move this project as expeditiously as possible. He said they are shooting to have this completed somewhere around the beginning of September (August/September timeframe). Mr. Nye said we have been talking about this for a long time. He asked what type of assurance Mr. Sippial could give about how long this project will take. Mr. Sippial responded that one of the issues they are dealing with is that the original contract estimate was around \$2.6 million and they renegotiated it down to \$2 million. He said that during the negotiating process, they had to sacrifice a month's worth of time. Mr. Sippial said if everything goes perfectly, they are looking at completing the project around the first of September; if not, they are looking around late September or early October.

Dr. Wynn said the urgency of the situation was pretty clear and they really need to proceed with the project. She expressed her concerns about funding this project in light of recommended budget cuts. Mr. Sippial responded that in 2002, the Board approved a \$30 million, ten-year program, to correct Fire Marshal deficiencies. He said they are planning to use part of this fund that is tied into the deferred maintenance program. He said \$6 million is designated for fire and another \$3 to \$4 million is designated for deferred maintenance for this fiscal year. He said they will be using some of that fund to correct this deficiency.

Mr. Adams said he understood that matters like this have to be attended to. He said he wished it was already done or that it could be done some time in the future, because the timing couldn't be worse in light of the state's budget situation. Mr. Sippial responded that he wished the project had been done earlier. He said as they see it today, it is a potential health issue, and they need to "bite the bullet" at this time and proceed on.

Mr. Sosa said the original estimate was \$2.6 million, and they (the administration) were able to negotiate it down 30 percent. He said we are leaving a contingency of about 25 percent. He said it seemed to him that the likelihood of it being very close to \$2.5 million was certainly there if they started at \$2.6 million. He asked why Mr. Sippial felt that \$2 million was a realistic cost for the project. Mr. Sippial responded that one of the major factors in the negotiation involved a dual asbestos removal operation where two different asbestos removal companies would work around the clock. He said that during renegotiations, they asked them to reduce the companies to one. Mr. Sippial agreed with Mr. Sosa's assessment that the project will take more time but could save money.

Mr. Mays asked when the project would be completed. Mr. Sippial said their best optimistic forecast was the first of September and their worst case was the first part of October.

Dr. Avilés asked if there was a way to include an incentive clause that would offer the contractor a bonus for finishing the job early. Mr. Sippial responded that the company was attempting to complete the project prior to the first football game, but this was costly. He said this option was taken out of the contract to reduce the price. Dr. Avilés suggested that perhaps they should look at this option again and Mr. Sippial said that he would.

Mr. Nye commented that the project would not bother him one way or another, because he would not be impacted. He said on behalf of his colleagues, he had to register a bit of a complaint because this whole matter had been talked about for about two years. He said he wanted to reiterate that we shouldn't be here in February trying to beat a schedule that we have known we needed to schedule during the off period. He said that the project should have been on its way. Mr. Nye said that this demonstrates that we were not very thoughtful on the process.

The Board took action as set forth below:

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**MINUTE ORDER 38-2003 (AGENDA ITEM 02)**

**AUTHORIZE UP TO \$2.5 MILLION FOR  
FIRE AND LIFE SAFETY MODIFICATIONS TO THE  
MEMORIAL STUDENT CENTER HOTEL AND  
MEMORIAL STUDENT CENTER ANNEX,  
TEXAS A&M UNIVERSITY**

Dr. Avilés made a motion for the approval of Item 2. Ms. Armstrong seconded the motion. Mr. Nye asked for discussion. There was none. Mr. Nye said he would call each regent's name so that his/her vote could be properly recorded. The regents voted as follows: Adams - yes, Avilés - yes, Mays - yes, Stevens - yes, Armstrong - yes, Gramm - yes, Sosa - yes, Wynn, yes. Mr. Nye said he voted "affirmative" and the vote was unanimous. The following minute order was adopted:

An amount not to exceed \$2,500,000 is hereby authorized for Fire and Life Safety Modifications to the Memorial Student Center Hotel and the MSC Annex. Funding for this project will be reallocated from previously appropriated Revenue Financing System debt proceeds. Supplementing the reallocated funds, \$400,000 of Student Center Complex Fees will be appropriated for this project.

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There being no further business, Mr. Nye adjourned the special telephonic meeting of the Board at 8:55 a.m., the same day.

Vickie Burt Spillers
Executive Secretary to the Board of Regents
The Texas A&M University System

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