

**MINUTES**

**OF THE**

**SPECIAL TELEPHONIC MEETING OF THE**

**BOARD OF REGENTS**

**OF**

**THE TEXAS A&M UNIVERSITY SYSTEM**

**HELD IN**

**COLLEGE STATION, TEXAS**

**August 24, 2005**

*(Approved December 1-2, 2005)*

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**MINUTES OF THE  
SPECIAL TELEPHONIC MEETING  
OF THE BOARD OF REGENTS  
August 24, 2005**

Mr. John White, Chairman of the Board, convened a special telephonic meeting of the Board of Regents of The Texas A&M University System, at 10:03 am, on Wednesday, August 24, 2005, in the Board of Regents Meeting Room, Memorial Student Center, on the campus of Texas A&M University (TAMU), College Station, Texas.

The following members of the Board were present by telephone:

Mr. John White, Chairman  
Mr. Phil Adams  
Mr. Lupe Fraga  
Dr. Wendy Gramm  
Mr. Erle Nye  
Mr. Lowry Mays  
Mr. Gene Stallings  
Mr. Steve Stevens (*joined the meeting during the executive session*)

The following member of the Board was present in the Board Meeting Room:

Mr. Bill Jones, Vice Chairman

*(Secretary's Note: Mr. Stevens joined the meeting by telephone during executive session.)*

Mr. White called the roll. Mr. Jones identified himself and was present in the meeting room. Mr. Adams, Mr. Fraga, Dr. Gramm, Mr. Nye, Mr. Mays and Mr Stallings identified themselves and were in attendance by telephone. Mr. White said 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. White said that the purpose of this special telephonic meeting was to consider the following items: Item 1 -- Approval of the Fiscal Year 2006 Operating Budgets for The Texas A&M University System (TAMUS); Item 2 -- Approval of the Fiscal Year 2006 Service Department Accounts for TAMUS; and Item 3 – (To be considered in Executive Session) Authorization for the Chancellor to Execute an Employment Agreement and Approve Development Leave for the President of West Texas A&M University (WTAMU).

Mr. White asked Dr. Bob McTeer, Chancellor; Mr. James Hooton, Executive Vice Chancellor for Finance; and Ms. B.J. Crain, Associate Vice Chancellor for Budgets

and Accounting, to present Items 1 and 2 and asked that they provide a brief description of the process as well as any concerns that they may have in regards to revenue predictions, etc. Mr. White encouraged the members of the Board to ask questions during the presentation.

Ms. Crain explained that she was going to outline the legal requirements for the agenda items, provide a brief discussion of the process and some of the review steps that were done prior to submitting the budgets. She said the specific requirement for the budget approval was in the General Appropriations Act and it states that the Board must approve an operating budget for the ensuing year within the limits of the revenue available. Ms. Crain said in other words, the Board was required by law to approve a balanced budget. She said the budgetary process was lengthy and they had started in January 2005 when they presented budget guidelines to the Board for approval, which was a basic framework that the members use to develop their 2006 budget recommendations. Ms. Crain said in early March, the Committee on Finance and Committee on Academic and Student Affairs met (jointly) to hear programmatic budget review presentations from each of the CEOs and those reviews provide the Board with an opportunity to provide input into the budgetary plans for the upcoming year. She said at the March Board meeting, the Chairman of the Committee on Finance reviewed the results of the programmatic budget reviews with the full Board and tuition and fee recommendations were also presented for approval. She said that since the state appropriations were not determined until late May, the mechanical process associated with the budget was not started until that time. In July, the A&M System members provided their budget recommendations to the Chancellor and the Finance Office staff members began their review and discussed any recommendations with the budget and fiscal officers at each of the institutions and agencies prior to compiling them into the executive budget summary.

Ms. Crain presented Item 1 and explained that the budget development process was a “bottoms up” approach and it required a series of months to complete. She said in August, they delivered the executive budget summaries to the Board and followed up with phone calls. She said they had spoken with the majority of the regents, or either received notice from a few members that they did not have any questions. Ms. Crain explained that Mr. Hooton had requested that they make some changes to improve the budget process next year and those changes would be incorporated. She said that during the review process, the CEOs for each member of the System were asked to respond to a number of general and specific questions. Ms. Crain said that as a result of the review process, they felt that there were minimal risks in the budget submitted for approval today. She said, for example, on the revenue side, there was always the possibility that semester credit hours (SCHs) and enrollment projections would not be met. Ms. Crain said there was always a possibility that contract and grant revenues would not be awarded at the level budgeted. She said there were some cushions on the expenditure side that would help to offset any of these possible revenue shortfalls. She explained that when we budget personnel costs, we budget all of the vacant positions at the institution or agency level so there is some flexibility in hiring practices that could be invoked if we didn’t achieve our budget projections. She said at the same time, the operation and maintenance line item was built with some contingency planning in place to plan for some possible

revenue shortfalls if they were to occur. She said that while there are some minimal risks on the revenue side, there are associated controls on the expenditure side to compensate for these risks.

Ms. Crain said that Mr. Hooton had asked them to review reserve balances held by each member of the A&M System. She said that several members had submitted budgets with the projected use of the reserve dollars and they wanted to make sure that reserves were available to meet that immediate need and they are. Ms. Crain said that a comprehensive plan of action was in the works to ensure that adequate reserves were available in the future to protect them Systemwide.

Mr. Nye asked in regards to utility rates being up, how much exposure does the System have from that particular energy component. Ms. Crain replied that they projected about one dollar short in the budget projections on utilities that were budgeted. She said they tied into a utility contract in late July, therefore the budget numbers were already developed. She said there were reserves available to protect those campuses that participated in the utility contract. Ms. Crain said she thought TAMU was still working on negotiating a utility contract and Mr. Hooton had been working with them on that contract. Mr. Nye asked what she meant by a dollar short. Mr. Nye said he thought it was megawatt hour. Dr. Lee Peddicord, Vice Chancellor for Research and Federal Relations, explained that it would be one dollar/million Btu for natural gas. Ms. Crain said she thought it was kilowatt hour. Mr. Nye explained that it could be 7.5 cents/kilowatt hour or \$750/megawatt hour or it could be on a Btu basis. He said that he did not anticipate gas prices coming down very much and those reflect back to electricity prices. Mr. Nye said that if they were using any historic data, they were probably under the mark. He asked that they re-analyze that and make sure that they were comfortable with where they were. Mr. Hooton said that every 10 cents costs the System about \$3 to \$4 million dollars. He explained that they were about one dollar under statement which would be a \$30 million shortfall. Mr. Nye said that was helpful. Mr. Hooton said that each of the institutions can manage that within the available reserve balances. He added that the state funding was inadequate even based on their current budget to cover infrastructure costs. Mr. Nye said that it was likely that they would get that funding back. Mr. Hooton agreed.

Mr. Nye asked Mr. Hooton if he would prepare for each of the educational institutions the portion of operating funds that goes to scholarships. Mr. Hooton agreed to do that. Mr. Nye added that it was not funds that were processed through for contributions, but out of the direct operating funds. Mr. Hooton said they would do that.

Ms. Crain presented Item 2 and explained that the Board was required by the General Appropriations Act to approve the establishment of service departments that are operated for the benefit of one or more members of the A&M System. She said an example of a service department would include fleet vehicle rental activities. Ms. Crain said that in addition to their approval of the service department accounts, the Chancellor was also required by System policy to provide the full Board with an annual listing of the service department accounts and their estimated budgets. She said the Board approval

requirement and the Chancellor’s reporting requirement in the System policy were combined within the agenda item.

Mr. White asked if there were any further questions. Mr. Nye said that he wanted to comment that he had been watching the budget preparations for eight years and it has improved every year. He said that he thought Ms. Crain and Mr. Hooton and everyone involved with this budget should be given a debt of gratitude. Dr. Gramm said she agreed and thanked Ms. Crain and everyone for their work.

Mr. White presented Item 1 and the Board took action as set forth below:

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**MINUTE ORDER 166-2005 (AGENDA ITEM 01)**

**APPROVAL OF THE FISCAL YEAR 2006 OPERATING BUDGETS,  
THE TEXAS A&M UNIVERSITY SYSTEM**

Mr. Nye said he moved adoption of the minute order. Dr. Gramm seconded the motion. Mr. White said he would call each regent’s name so that their vote could be properly recorded. The regents voted as follows: Jones – yes, Adams – yes, Fraga – yes, Gramm – yes, Mays – yes, Nye – yes, and Stallings – yes. Mr. White said that he voted “yes” and the vote was unanimous. The following minute order was adopted:

The operating budgets, included as **Exhibit A**, as submitted by the components of The Texas A&M University System for the fiscal year ending August 31, 2006, are hereby approved and adopted subject to the provisions contained in System Policy 27.04, Budget Authorizations, Limitations, and Delegations of Authority.

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Mr. White presented Item 2 and the Board took action as set forth below:

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**MINUTE ORDER 167-2005 (AGENDA ITEM 02)**

**APPROVAL OF THE FISCAL YEAR 2006  
SERVICE DEPARTMENT ACCOUNTS,  
THE TEXAS A&M UNIVERSITY SYSTEM**

Mr. Nye said he moved adoption of the minute order. Dr. Gramm seconded the motion. Mr. White said he would call each regent's name so that their vote could be properly recorded. The regents voted as follows: Jones – yes, Adams – yes, Fraga – yes, Gramm – yes, Mays – yes, Nye – yes, and Stallings – yes. Mr. White said that he voted “yes” and the vote was unanimous. The following minute order was adopted:

The service department accounts for the components of The Texas A&M University System for the fiscal year ending August 31, 2006, included as **Exhibit B**, are hereby approved, subject to the provisions contained in System Regulation 21.01.05, Service Departments.

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Mr. Adams said he also wanted to commend Mr. Hooton and Ms. Crain and their staff. He said he thought the process had improved greatly and they had made great progress. Mr. Adams said that he thought they all had concern for the utility costs and hoped that everything would be done to help the cost situation in that regard.

Dr. Gramm said she wanted to comment on a summary of a book she had received, Going Broke by Degree by Richard Vedders, which discussed higher education costs and why tuitions were going up, etc. She said she thought it would be worthwhile for everyone to read. Dr. Gramm said that Ms. Spillers could order the book for those that were interested. Mr. Nye asked for the Board Office staff to provide the full Board with a copy of the book. Ms. Spillers agreed to do that.

Mr. Jones said that during the May meeting, he had asked that the institutions that had a range on their proposed tuition to make sure that the Chancellor and the Board knew which range they chose and why it was justified to ensure that the tuition amount that was chosen matched the legislative appropriation. He said that they had received the information from TAMU before their announcement was made. He said they did not get it from some of the other campuses, but we have now gotten that information from all of campuses. He said he thought that they were well on their way to standardizing the information to ensure that they all understood and could see what was being done. Mr. Jones said that perhaps next year, it would not be as difficult to obtain or as difficult to comprehend once they had received the information. Mr. White thanked Mr. Jones for the follow-up on that matter and said he thought that their relationships with the legislature needed to be consistent.

Mr. White said that having convened in open session, the Board would enter into an executive session to consider matters as permitted by Chapter 551, Section 74, of the

Texas Government Code for discussion of matters involving the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal, of an officer or employee, or to hear complaints or charges against an officer or employee. He said that in accordance with the law, no final action, decision, or vote with regard to any matter considered in the executive session would be made or taken. Mr. White said that Dr. McTeer, Mr. Delmar Cain, General Counsel, and Ms. Spillers should stay for the executive session. Mr. White said that all other persons should leave the meeting room until the meeting was reconvened in open session.

*(Secretary’s Note: The Board met in executive session from 10:25 am until 10:45 am.)*

Mr. White reconvened the meeting in open session at 10:45 am.

*(Secretary’s Note: Mr. Stevens joined the meeting by telephone during the executive session.)*

Mr. Nye said he wanted to express his admiration and respect for Dr. Russell Long, President of West Texas A&M University, and express his sincere appreciation for his dedication and service.

Mr. White presented Item 3 and the Board took action as set forth below:

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**MINUTE ORDER 168-2005 (AGENDA ITEM 03)**

**AUTHORIZATION FOR THE CHANCELLOR TO EXECUTE AN  
EMPLOYMENT AGREEMENT AND APPROVE DEVELOPMENT LEAVE  
FOR THE PRESIDENT OF WEST TEXAS A&M UNIVERSITY,  
THE TEXAS A&M UNIVERSITY SYSTEM**

Mr. Nye moved adoption of the minute order. Dr. Gramm seconded the motion. Mr. White said he would call each regent’s name so that their vote could be properly recorded. The regents voted as follows: Jones – yes, Adams – yes, Fraga – yes, Gramm – yes, Mays – yes, Nye - yes, Stallings – yes, and Stevens – yes. Mr. White said that he voted “yes” and the vote was unanimous. The following minute order was adopted:

The Chancellor of The Texas A&M University System, subject to review by the Office of General Counsel for form and legal sufficiency, is hereby authorized to execute an employment agreement with Dr. Russell Long, and in accordance with System Policy 31.03 and Texas Education Code, Section 51.105 and 51.948, the Board of Regents approves development leave for Dr. Russell Long for one year beginning January 1, 2006.

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There being no further business, Mr. White asked for a motion to adjourn. On motion of Mr. Nye, seconded by Mr. Jones, and by a unanimous vote, the special telephonic meeting was adjourned at 10:49 am.

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

*(These minutes were transcribed by Adrienne Watson, Administrative Secretary, Office of the Board of Regents.)*