



**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS**

Special Called Board of Regents Meeting
Tuesday, January 16, 2018

AGENDA

UNIVERSITY OF HOUSTON SYSTEM SPECIAL CALLED BOARD OF REGENTS MEETING

DATE: Tuesday, January 16, 2018

TIME: 1:30 PM

PLACE: University of Houston
Board of Regents Conference Room
128 Ezekiel Cullen Building, First Floor
4302 University Drive
Houston, Texas 77204

The University of Houston System Board of Regents will convene a Special Called Board of Regents meeting by telephone conference call from approximately 1:30 p.m. to approximately 2:30 p.m. on Tuesday, January 16, 2018 according to the following agenda. It is necessary to conduct this special meeting by telephone because it was difficult or impossible to convene a quorum in one place in a timely manner and the action on the agenda is of sufficient urgency to be considered and acted upon prior to the next regularly scheduled meeting of the Board on March 8, 2018.

Chair: Tilman J. Fertitta
Vice Chair: Welcome W. Wilson, Jr.
Secretary: Spencer D. Armour, III

I. **Special Called Board of Regents Meeting**

Several members of the Board will be present at the meeting but the remaining members of the Board will participate via telephone conference call from remote locations.

A. Call to Order

Presenter: Chairman Tilman J. Fertitta

II. **Board of Regents Item(s)**

Presenter: Chairman Tilman J. Fertitta

- A. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts exceeding \$1 million for the purchase of goods or services, excluding construction contracts, at the University of Houston System - University of Houston System 5
Presenter: Mr. Jim McShan, Senior Vice Chancellor for Administration and Finance

III. **Executive Session**

Presenter: Chairman Tilman J. Fertitta

- A. Consultation with System Attorney Regarding Legal Matters and/or Contemplated Litigation or Settlement Offers
TEXAS GOV'T CODE SECTION 551.071
- B. Deliberations regarding the Purchase, Exchange, Sale or Value of Real Property
TEXAS GOV'T CODE SECTION 551.072
- C. Deliberations Regarding a Prospective Gift
TEXAS GOV'T CODE SECTION 551.073
- D. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees
TEXAS GOV'T CODE SECTION 551.074
- Personnel matters, including the evaluations/appointments/contracts of Vice Chancellors/Vice Presidents of the University of Houston System/University of Houston, Presidents, and in the Division of Athletics under Board of Regents Policy 57.10

IV. **Report and Action from Executive Session**

Presenter: Chairman Tilman J. Fertitta

- A. Approval is requested to delegate authority to the Chancellor to take all actions precedent related to an employment contract for the appointment of the Vice President of Intercollegiate Athletics and Director of Athletics at the University of Houston - University of Houston 10
Action: Approval
Presenter: Chairman Tilman J. Fertitta

V. **Adjourn**

Presenter: Chairman Tilman J. Fertitta

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

ITEM: Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts exceeding \$1 million for the purchase of goods or services, excluding construction contracts, at the University of Houston System

DATE PREVIOUSLY SUBMITTED: N/A

SUMMARY:

Approval is requested for contracts that are expected to exceed \$1 million that are associated with the purchase of goods or services, excluding construction contracts, at the University of Houston System. Board of Regents policy 55.01.01 states that the board must approve any contract, including any amendment, extension, or renewal thereto, that results in the value of the contract exceeding \$1 million throughout the term of the contract.

SUPPORTING DOCUMENTATION: Summary of Contract

FISCAL NOTE: See supporting documentation for value of contract

**RECOMMENDATION/
ACTION REQUESTED:** Approval

COMPONENT: University of Houston System

CHANCELLOR

Renu Khator

DATE

University of Houston System
 Summary of Goods and Services Contracts Greater than \$1 Million
 Board of Regents Special Called Meeting - January 16, 2018

Component	Project	Procurement Method	Vendor	Purpose	Amount	Funding Source	HUB Goal	Comments
UHS	Electricity and Natural Gas	RFP	TBD	Provide electricity and natural gas to the System. The University will award separate contracts for electricity and natural gas, and contracts will be for five years.	\$ 140,000,000	Designated Funds	0.00%	The current contract with the Texas General Land Office began in January 2014 and is expiring in Decembr 2018. This new contract will be for a five year term. Approval of this contract now will allow us to begin locking in energy for delivery in 2019. Historically March is a low point for natural gas prices, and we want to be positioned to take advantage of such a dip in the market should it occur this year. The System's FY17 energy spend was \$23.5 million. The estimated spend over this five year contract also includes additional energy consumption that is expected as we bring on new buildings throughout the System.

University of Houston Energy Purchasing Strategy

Current Approach:

Electricity – One to three year fixed price locks done with the GLO. Current Pricing:

- Two new accounts (after the original contract was signed) contracted at just under \$0.038/kwh
- All Other accounts: \$0.05/kwh through 12/21/2017 and then dropping to \$0.04989/kwh for 2018.
- Current contract ends 12/31/2018.
- **Approval of this contract now will allow us to begin locking in energy for delivery in 2019. Historically March is a low point for natural gas prices, and we want to be positioned to take advantage of such a dip in the market should it occur this year.**

Natural Gas – Cash Index based rate (variable month to month) with the option to lock in prices based on NYMEX gas pricing (New York Mercantile Exchange).

- Pricing floated for Cal 2017. Cash prices dropped providing good results.
- NYMEX pricing targets for 2018 were set and the NYMEX pricing dropped below the targets in December. Locked at prices below target.
- Current contract with the GLO ends 12/31/2018.

Challenges:

- Competition for the pricing was not sufficient. Resulted in higher price with the GLO.
- Insufficient Price Lock Controls - Fixed price for multi-year contract is typically not how large users by power. Fixed pricing is 100% subject to the market price on the day the contracts are signed.
- Market monitoring –Need to better monitor the NYMEX prices and the price targets for our risk-management plan.

Proposed Approach:

Goals: Increase competition, Increase Price Control & Risk Management Flexibility, and Lower Costs

<i>Electricity Pricing Structure</i>	<i>Natural Gas Pricing Structure</i>
Heat Rate – Lock in the formula that converts gas costs into electricity costs each month. Monthly NYMEX gas prices can then be locked as desired to manage risk, provide budget certainty.	NYMEX Basis Differential – Lock in the cost difference between NYMEX trading and delivered cost for 80% of expected usage. Other 20% would be on index as today. Can lock gas prices any time before delivery month

Elec. Price = Heat Rate x Gas Price + Retail Adder	Gas Price= NYMEX Gas Price +/- Basis Differential (Basis can be negative)
Example: 9.5 mmBtu/MWH x \$2.80/mmBtu + \$5.50/MWH= \$32.10/MWH or \$0.0321/kwh (\$2.80 is the avg. NYMEX gas price for 2019)	Example: \$2.80/mmBtu NYMEX + \$0.15/mmBtu Basis = \$2.95/mmBtu
For both electricity and gas, the University would be able to lock in the gas portion of the price for any future month(s) of the contract based on the NYMEX trading price for the given month(s). Price locks can be layered in over time in this manner, giving the University more control over its pricing vs. just having to accept the pricing on the day of the contract for the old fixed pricing approach. If pricing dips sufficiently, the University could also lock in all unlocked volumes for the rest of the contract to lock in those savings.	
<i>Challenges/Opportunities:</i>	<i>Proposed Solution:</i>
Lower Prices	Prices for electricity are expected to be at least 20% lower for the next contract term. Possibly 30% lower. Gas costs should also be lower.
Risk Management Capability	Both a challenge and an opportunity. University personnel will work with our consultant to put a risk management plan in place to lock in pricing for Cal 2019 and beyond. Prices would be locked over time and both lower and upper trigger prices would be put in place to protect against market swings and provide budget certainty. Consultant to monitor market. Risk of price increases are mitigated by this approach.

Strategy Differences:

- More Competition – We expect to receive pricing from over 10 different energy providers that are capable of providing the requested pricing structures.
- More Control – By utilizing the above pricing structures the University is no longer a “Price Taker” on the day the contract(s) is/are awarded (likely that we would award different contracts for electricity and gas supplies). The pricing formula would be defined and then prices would be locked as desired at times determined by the University in consultation with Brasovan Energy.
- Good fit for our procurement process – These pricing structures allow us to get under contract through a highly competitive process where the price of the most volatile commodity in the world does not have to be held open while the contracting is done. This decreases supplier risk and lowers the University’s costs.

Success Measures:

- Lower pricing than previous contracts: We are very confident that this will be the case for electricity and fairly confident that it will be the case for natural gas.
- Heat Rate vs. Fixed Pricing: We will be tracking how our locked in pricing compares to the pricing that was available on the day the contracts were signed. This will be done by looking at natural gas prices on the day of contracting. Those NYMEX prices for the

months of the contract term will be plugged into the contracted formulas to yield the 'What If' fixed prices.

Who else is doing this?

Other Public entities that do or have utilized these contracting structures and have worked with our consultant – Brasovan Energy Solutions LLC - include:

- University of Texas at Austin (natural gas)
- University of North Texas Health Science Center
- Parkland Health and Hospital system
- City of Dallas

These entities have all realized prices below the 'What If' fixed prices that they would have received if they had gotten a fixed price for the contract term. They all saved money through this approach.

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

ITEM: Approval is requested to delegate authority to the Chancellor to take all actions precedent related to an employment contract of the appointment for the Vice President for Intercollegiate Athletics and Director of Athletics at the University of Houston

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

Pursuant to Board of Regents Policy 57.10, approval is requested to delegate authority to the Chancellor to take all actions precedent related to an employment contract for Chris Pezman's appointment as the Vice President of Intercollegiate Athletics and Director of Athletics at the University of Houston.

SUPPORTING DOCUMENTATION: Biographical Sketch

FISCAL NOTE: None

**RECOMMENDATION/
ACTION REQUESTED:** Approval

COMPONENT: University of Houston

CHANCELLOR

Renu Khator

DATE

University of Houston System Board of Regents

Recommendation

Organization: University of Houston

Type of Appointment: Appointment
Name: Chris Pezman
To Title: Vice Chancellor President for Intercollegiate Athletics and Director of Athletics
Effective Date: December 11, 2017

Biographical Sketch:

Chris Pezman was the 1992 Houston Football team captain and letterman and had currently spent just under four years as Senior Associate Athletics Director for Facilities, Operations & Event Management, and Capital Projects/Chief Operating Officer at the University of California – Berkeley. Prior to joining Cal, Pezman served as Assistant Athletics Director for Football Operations at Houston for the 2012 and 2013 seasons where his primary responsibilities included the organization and management of all business aspects for the football program. He was instrumental in an increase in football restricted donations and the number of donors involved in the football restricted fund while also serving as a liaison with construction managers for the renovation of the Houston Football locker room, new practice fields, and TDECU Stadium construction. The two-time Southwest Conference Commissioner’s Academic Honor Roll member earned his undergraduate degree in Economics and completed course work for his Masters in Hotel and Restaurant Management from the University of Houston.

Mr. Pezman is married and the couple has three children.