MINUTES OF THE
WORKSHOP AND REGULAR MEETING OF THE BOARD OF TRUSTEES
LONE STAR COLLEGE SYSTEM
CENTRAL SERVICES AND TRAINING CENTER
TRAINING AND DEVELOPMENT CENTER BOARD ROOM
5000 RESEARCH FOREST DRIVE
THE WOODLANDS, TEXAS 77381-4356
November 7, 2013
5:00 p.m.

PRESENT:  Dr. David Holsey, Chair
           Ms. Priscilla Kelly, Secretary
           Mr. David Vogt, Assistant Secretary
           Ms. Linda Good
           Mr. Robert Adam
           Dr. Kyle Scott
           Dr. Ron Trowbridge

ABSENT:   Mr. Bob Wolfe, Vice Chair
           Ms. Stephanie Marquard

I. CALL TO ORDER: Dr. Holsey called the workshop and regular meeting of the Board of Trustees to order at 5:07 p.m. after determining that a quorum was present.

II. PLEDGE OF ALLEGIANCE: Dr. Scott led the Board and guests in reciting the Pledge of Allegiance.

III. CERTIFICATION OF THE POSTING OF THE NOTICE OF THE MEETING: Chancellor Carpenter confirmed that the Notice for the meeting had been properly posted. No action was required. A copy is attached as Exhibit “A”.

IV. INTRODUCTIONS, SPECIAL GUESTS AND RECOGNITIONS: Dr. Keri Rogers, vice chancellor of academic affairs introduced the Core Curriculum Committee members and thanked them for their hard work and consensus building.

V. CLOSED SESSION: At 5:15 p.m. Dr. Holsey convened the Board in closed session, in accordance with Section 551.001 et. seq. of the Texas Government Code under one or more of the following provision(s) of the Act:

   Section 551.071 - Consultation with Attorney
   Section 551.072 - Deliberation Regarding Real Property
   Section 551.073 - Deliberation Regarding Prospective Gift
   Section 551.074 - Personnel Matters
   Section 551.076 - Deliberation Regarding Security Devices
   Section 551.087 - Economic Development Negotiations

Ms. Kelly entered the meeting at 5:20 p.m.
Mr. Vogt entered the meeting at 5:32 p.m.

VI. **RECONVENE REGULAR MEETING:** Dr. Holsey reconvened the open meeting at 6:40 p.m.

VII. **WORKSHOP:** None

VIII. **APPROVAL OF THE MINUTES OF THE OCTOBER 10, 2013 WORKSHOP AND REGULAR MEETING:** upon a motion by Ms. Good and a second to the motion by Ms. Kelly, the board unanimously approved the minutes of the October 10, 2013 Public Hearing and Workshop and Regular Meeting.

IX. **SPECIAL REPORTS AND ANNOUNCEMENTS:**

1. **Chancellor:** Chancellor Carpenter announced LSCS will receive the 2013 Paul Simon Award for Comprehensive Internationalization in recognition of LSCS international programs and strategic global partnership initiatives later this month. The LSCS-Small Business Development Center Small Business of the Year Awards will take place on November 14th honoring 18 successful small business owners from across our service area. The LSC Foundation will hold its annual golf tournament on November 25th at the Woodlands Country Club. LSCS-Kingwood will hold a dedication for The Lowlands Nature Trail & Boardwalks on November 16th. LSCS will hold two special dedications next month. The first dedication will name the Student Conference Center at LSC-Kingwood in honor of Chancellor Emeritus John Pickelman on December 10th and the second will name the Classroom Facility at LSC-Victory Center in honor of long time board member Randy Bates on December 16th. TACC announced the creation of a new Texas Success Center (TSC) that will provide statewide coordination of student success programs and policies.

2. **College Presidents:** Dr. Susan Karr, president of LSC-Tomball gave a presentation on All Kids Alliance at LSCS. This is a program that each campus has which engages a broad set of sectors of the community to come together to implement a cradle to career vision for education and development.

3. **Vice Chancellors:** Ray Laughter, vice chancellor of external affairs, acknowledged the various recipients throughout LSCS who received NCMPR (National Council for Marketing & Public Relations) Medallion Awards for outstanding achievement in communications at community and technical colleges. Members of the LSCS marketing and communication staffs were introduced.

4. **Faculty Senate Presidents:** Dr. Daria Willis, faculty senate president LSC-University Park, gave a presentation on the Doctoral Support Group and the recent DSG Grad School Expo held at University Park for LSCS employees interested in learning more about continuing their education in a master’s or doctoral program. More than 250 people attended and 36 four-year schools were represented.
X. CONSIDERATION OF THE CONSENT AGENDA: Dr. Holsey proceeded with the Consent Agenda. Mr. Adams made a motion to approve the Consent Agenda. Dr. Scott seconded the motion and the Board unanimously passed the Consent Agenda. A copy is attached as Exhibit “B”.

XI. POLICY REPORT AND CONSIDERATIONS:

1. Consideration of the Recommended Revisions of the Lone Star College System Board Policy C.2.01: Investment Management (SECOND READING) (ACTION ITEM 1): the board unanimously approved the recommended revisions of the Lone Star Board Policy C.2.01 Investment Policy. This item was passed in the Consent Agenda. A copy is attached as Exhibit “C”.

XII. CURRICULUM REPORT AND CONSIDERATIONS:

1. Consideration of Approval of Level 1 Certificate (32 credit hours) for implementation at Lone Star College Tomball and Lone Star College Cy-Fair for spring 2014 (ACTION ITEM 2): the board unanimously approves a Level 1 Certificate for Petroleum Data Technology. This item was passed in the Consent Agenda. A copy is attached as Exhibit “D”.

2. Consideration of Approval of the Core Curriculum for the Associate of Arts and the Associate of Science Degree for 2014 – 2015 (ACTION ITEM 3): the board unanimously approved the revised Associate of Arts and Associate of Science Core Curriculum for the 2014-2015 academic year. The revised core curriculum must be submitted to the Texas Higher Education Coordinating Board for final approval. This item was passed in the Consent Agenda. A copy is attached as Exhibit “E”.

XIII. FINANCIAL REPORTS AND CONSIDERATIONS:

1. Monthly Financial Statements: Ms. Cindy Gilliam, vice chancellor for administration and finance, presented the monthly financial statements for the month ended September 30, 2013. A copy is attached as Exhibit “F”.

2. Consideration of Approval to Purchase Equipment for the Energy and Manufacturing Program at LSC-University Park (ACTION ITEM 4): the board unanimously approved the purchase of equipment for the EMI at LSC-University Park in the amount of $195,900 from Mazak Corporation, 10950 Greenbend Blvd., Houston, TX 77067. This item was passed in the Consent Agenda. A copy is attached as Exhibit “G”.

3. Consideration of Approval to Purchase Starbucks Products to Support “We Proudly Brew” Programs at LSC-CyFair and LSC-Tomball (ACTION ITEM 5): the board unanimously approved the purchase of Starbucks products to support the “We Proudly Brew” programs at LSC-CyFair and LSC-Tomball from Sysco Food Service, 1390 Enclave Parkway, Houston, TX 77077-2099, for an amount not to exceed
4. Consideration of Approval to Purchase Additional Ink and Toner Cartridges and Printer Maintenance for the System (ACTION ITEM 6): the board unanimously approves the purchase of additional ink and toner cartridges and printer maintenance for the System from Global Laser, Inc., 5805 Chimney Rock, Suite A, Houston, Texas 77081, in the amount of $300,000 bringing the total contract cost to $2,500,000 over the five year term. This item was passed in the Consent Agenda. A copy is attached as Exhibit “H”.

5. Consideration of Approval to Renew System License for the Remote Hosting Application of the Online Early Alert System (OEAS) and Purchase Additional Consulting Services (ACTION ITEM 7): the board unanimously approves the System license renewal for the remote hosting application of OEAS and the purchase of additional consulting services from Starfish Retention Solutions, 1400 Key Blvd., Suite 1050, Arlington, VA 22209, in the amount of $40,000 for a not-to-exceed total of $300,000 over the five year term. This item was passed in the Consent Agenda. A copy is attached as Exhibit “I”.

6. Consideration of Approval to Authorize the Chancellor or Designee to Negotiate and Execute a Change Order for the Purchase of Supplemental Construction Services for the Energy and Manufacturing Institute (EMI) Building at LSC-University Park (ACTION ITEM 8): the board unanimously authorizes the Chancellor or designee to negotiate a change order for the purchase of supplemental construction services for the EMI Building at LSC-University Park from Tellepsen Builders, L.P., 777 Benmar Drive, Suite 400, Houston, TX 77060, in the amount of $400,000, bringing the total construction contract to $13,726,632. This item was passed in the Consent Agenda. A copy is attached as Exhibit “K”.

7. Consideration of Approval to Purchase Additional Internal Revenue Service (IRS) Form 1098-T Reporting Services for the System (ACTION ITEM 9): the board unanimously approves the purchase of additional IRS Form 1098-T reporting services for the System from Educational Computer Systems, Inc. (ECSI), 181 Montour Run Rd., Coraopolis, PA 15108, in the amount of $60,000 bringing the total contract cost to $282,884 over the five year term. This item was passed in the Consent Agenda. A copy is attached as Exhibit “L”.

8. Consideration of Approval to Authorize the Chancellor or Designee to Negotiate and Execute a Contract Amendment to Purchase Additional Janitorial Services for LSC-CyFair and LSC-Atascocita (ACTION ITEM 10): the board unanimously approves the Chancellor or designee to negotiate and execute a contract amendment to purchase additional janitorial services from C & S Janitorial Services, 13940 Bammel N. Houston, Suite 308, Houston, Texas 77066, in the amount of $254,000, bringing the total contract cost to $348,475 for the eight month contract term. This item was passed in the Consent Agenda. A copy is attached as Exhibit “M”.

$517,000 over five years. This item was passed in the Consent Agenda. A copy is attached as Exhibit “H”.

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9. Consideration of Approval of Authorization for the Chancellor or Designee to Negotiate and Execute a Lease Agreement for a Temporary Modular Building at LSC-Montgomery (ACTION ITEM 11): the board unanimously approves the authorization of the Chancellor or designee to negotiate and execute a lease agreement for the temporary modular building at LSC-Montgomery from Williams Scotsman Corporation, 7915 FM 1960 West, Suite 115, Houston, Texas 77070, for an annual cost of $50,400, and a total cost of $151,200 if the optional two one year renewals are executed. In addition, there will be dismantling and return freight costs of $45,500 upon final expiration of the lease. This item was passed in the Consent Agenda. A copy is attached as Exhibit “N”.

10. Consideration of Approval to Authorize the Chancellor or Designee to Negotiate and Execute an Agreement for the Purchase of Electricity Services (ACTION ITEM 12): the board unanimously authorizes the Chancellor or designee to negotiate and execute an agreement for the purchase of electricity services from Energy For Schools (EFS), Two Park Ten Place, 16300 Katy Fwy, Suite 140, Houston, TX 77094, for a period of 36 months, beginning July 1, 2016 to June 30, 2019. This item was passed in the Consent Agenda. A copy is attached as Exhibit “O”.

11. Consideration of Approval for the Chancellor or Designee to Negotiate and Execute a Contract for the Sale of the Original Conroe Center, located at 102 Longview Street, Conroe, TX 77301 (ACTION ITEM 13): the board unanimously authorizes the Chancellor or his designee to negotiate and execute a contract for the sale of the original Conroe Center to Dirk D. Laukien, 24 Waterway Avenue, Suite 225, The Woodlands, Texas 77380, for a projected amount of $1.9 million dollars. This item was passed in the Consent Agenda. A copy is attached as Exhibit “P”.

XIV. BUILDING AND GROUNDS REPORTS:

Construction Projects Update: the Board reviewed the report as presented. A copy is attached as Exhibit “Q”.

XV. PERSONNEL REPORTS AND CONSIDERATIONS:

1. Consideration of Ratification of Appointments (ACTION ITEM 14): the Board unanimously ratified the appointments as presented. This item was passed in the Consent Agenda. A copy is attached as Exhibit “R”.

2. Consideration of Acceptance of Resignations (ACTION ITEM 15): the Board unanimously accepted the resignations as presented. This item was passed in the Consent Agenda. A copy is attached as Exhibit “S”.

3. Consideration of Approval of Commissioning of Peace Officers (ACTION ITEM 16): the Board unanimously approved the commissioning of the following peace officers for Lone Star College System: LSC-CyFair, Zahava Rais, LSC-Kingwood, Damon Robinson, LSC-Montgomery, Darrell Bailey, LSC-North Harris, Sharlene Hackett, LSC-Tomball, Robin Krath and LSC-University Park, Daniel Meza. This item was passed in the Consent Agenda. A copy is attached as Exhibit “T”.

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XVI. SUGGESTED FUTURE AGENDA ITEMS: None.

XVII. CITIZENS DESIRING TO ADDRESS THE BOARD: Mr. James M. Ford, representing the Hispanic Executive Society International (HESI) presented an overview of HESI's efforts to support education and expressed concerns about alleged Hispanic discrimination.

Dr. Larry Loomis Price spoke about LSCS hiring policy.

Dr. John Burgduff spoke on behalf of the American Federation of Teachers about the LSCS public comment period during the board meeting.

XVIII. ADJOURNMENT: There being no further business, the meeting was adjourned at 7:31 p.m.

ATTEST:

[Signatures]

Board of Trustees, Chair

Board of Trustees, Secretary
Certification of Posting of Notice to the November 7, 2013
Workshop and Regular Meeting of the
Lone Star College System’s
Board of Trustees

I, Richard Carpenter, Chancellor of the Lone Star College System, do hereby certify that a notice of this meeting was posted on Monday the 4th day of November, 2013 in a place convenient to the public in the Administration Office of the Central Services and Training Center, on all college campuses and on the system website as required by Section 551.002 et seq., Texas Government Code. Special notice of the meeting was provided to the news media as required by Section 551.001 et seq., Texas Government Code.

Given under my hand this the 4th day of November, 2013.

Richard Carpenter
Chancellor
Consideration of Consent Agenda

Consent Agenda:

A roll call of individual action items will determine the consent agenda. If a trustee has a question or plans to cast a negative vote regarding a specific recommendation, then the trustee/trustees need to acknowledge their intention to the Chair by show of hand during the roll call: this action item will be considered in the regular order of business as an individual action item.

Those action items that the trustees plan to approve without further question or discussion will be placed on the consent agenda during roll call of individual action items. Upon the creation of the consent agenda, a motion, a second to the motion and unanimous approval of the Board of Trustees is needed to approve the action items. Upon approval of the consent agenda, the Board of Trustees will proceed with the remainder of the agenda.

Rationale:

The consent agenda format is an organization process for meetings that allows the governing board to focus their time and attention on action items that require more elaboration, information, and/or discussion. The intent of the consent agenda is to support efficiency and effectiveness of the meeting.

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Policy Report and Consideration No. 1       (ACTION ITEM 1)       Board Meeting 11-07-13

Request: Consideration of the Recommended Revisions of the Lone Star College System Board Policy C.2.01: Investment Management (SECOND READING)

Chancellor’s Recommendation: That the Board of Trustees review the recommended revisions of the Lone Star College System Board Policy C.2.01: Investment Management.

Rationale: Annually, the board must adopt the Investment Policy and Strategy as required by both Board Policy C.2.01 Investment Management and the Government Code Section 2256.005(e) (Public Funds Investment Act). In conference with the System’s investment advisors, Valley View Consulting, LLP, the proposed Investment Policy would incorporate minor changes to current wording to better reflect day to day practices.

Fiscal Impact: None

Staff Resource: Cindy Gilliam 832-813-6512
Brian Nelson 832-813-6655
LONE STAR COLLEGE SYSTEM
Investment Management

LSCS Policy Manual Section adopted by the Board of Trustees on November 7, 2013.

C.2.01 - Investment Management:
It is the policy of the System that after allowing for the anticipated cash flow requirements of the System and giving due consideration to the safety and risk of investment, all available funds, as reported in the System’s annual financial report, shall be invested in conformity with this Investment Policy and governing statutes, seeking to safeguard assets, maintain liquidity and optimize investment earnings.

Effective cash management is recognized as essential to good fiscal management and investment earnings serves as a source of revenue to the System. The System's investment portfolio shall be designed and managed in a prudent manner to obtain reasonable revenue within the limitations of the System's cash flow needs, to be responsive to public trust and to be in compliance with legal requirements and limitations.

Investments shall be made with the following objectives in priority order:

1. Safety and preservation of principal;
2. maintenance of sufficient liquidity to meet operating needs;
3. diversification;
4. public trust; and
5. optimization of earnings in the portfolio (Yield).

This Investment Policy extends to all financial assets under the direct control of the System.

C.2.02 - Purpose:
The purpose of this Investment Policy is to comply with the Public Funds Investment Act set forth in Chapter 2256 of the Texas Government Code (the "Act"), which requires that the System annually adopt a written investment policy regarding the investment of its funds and funds under its control. This Investment Policy addresses the methods, procedures and practices that must be exercised to ensure effective and judicious fiscal management of the System's funds.

C.2.03 - Strategy:
The overall objective of the Investment Policy is to ensure that System financial assets are properly safeguarded, provide sufficient liquidity and diversification, and produce a reasonable rate of return while enabling the System to react to changes in economic and market conditions.

The longer the maturity of investments, the greater the price volatility. Therefore, the System concentrates its investment portfolio in short and intermediate term investments to limit market risk caused by changes in interest rates. The System attempts to match its investments with anticipated cash flow requirements. Cash flow requirements generally divide the portfolio into four major parts: liquidity needs, short-term needs, intermediate-term needs, and longer-term core investment. The System will not invest in investments maturing more than three (3) years from the date of purchase.
The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. “Weighted Average Yield to Maturity” shall be the standard for calculating portfolio rate of return.

The System commingles its operating, reserve and trust and agency funds into one investment portfolio for investment purposes of efficiency, accurate distribution of earnings and maximum investment opportunity. Although commingled, the System recognizes the unique characteristics and needs of the individual funds in its strategy statement and in the management of the funds. The maximum dollar weighted average maturity (WAM) of the entire commingled portfolio reflecting cash flow needs shall be no greater than one (1) year and the corresponding benchmark for the commingled portfolio shall be the comparable one year US Treasury security.

Capital Projects are managed separately in accordance with their anticipated expenditure schedules and bond document requirements.

C.2.04 - General Fund:
The General Fund includes all operating funds of the System including, but not limited to, the general fund, payroll fund, technology fund, student activity fee fund, repair and replacement fund and the auxiliary fund. The primary investment strategy for this fund is to assure the preservation and safety of principal; and secondly, to match anticipated cash flows with adequate investment liquidity. These objectives shall be accomplished by purchasing high-credit quality, short-to-intermediate term investments matching cash flow requirements. All investments authorized by the Investment Policy are suitable. Funds not needed for short-term cash flow requirements will be invested in diversified instruments with diversified maturities and be readily marketable in the secondary market or, in the case of Certificates of Deposit, redeemable with or without penalty. Yield will be enhanced by the use of maturity extensions available within the confines of accurate cash flow projections and market cycle timing. Based on ongoing cash flow needs, the maximum weighted average maturity shall be one year. The maximum stated maturity will be three years.

2.05 - Restricted Fund:
The Restricted Fund includes local, state and federal grant funds as well as funds from other sources that are restricted for instructional use. The primary objectives are safety and liquidity sufficient to meet anticipated cash flow requirements as well as yield optimization. These objectives shall be accomplished by purchasing high-credit quality short-term investments, diversified by instrument and maturity, and matching the maturity of the investments with anticipated liabilities. Funds not needed for short-term cash flow requirements will be invested in diversified instruments with diversified maturities and be readily marketable in the secondary market or, in the case of Certificates of Deposit, redeemable with or without penalty. All investments authorized by the Investment Policy are suitable. A ladder of short-term investments with sufficient liquidity from cash-equivalent investments may be used to maintain a maximum weighted average maturity of one year. The maximum stated maturity will be two years.
C.2.06 - Capital Projects:
The primary investment objective for the Capital Projects Fund is preservation and safety of principal. In addition, the System will seek to match cash flows from maturities and earnings of diversified investments to anticipated needs while obtaining a reasonable market yield. Considering the appropriate risk constraints, investments will be made in an attempt to attain a rate equal to or above the arbitrage yield in order to avoid negative arbitrage. These objectives shall be accomplished by purchasing high-credit quality, short and intermediate-term investments with maturities closely matching the projected cash flow schedules. Funds not needed for short-term cash flow requirements will be invested in diversified instruments with diversified maturities and be readily marketable in the secondary market or, in the case of Certificates of Deposit, redeemable with or without penalty. All investments authorized by the Investment Policy are suitable. The maximum maturity of an individual security shall not exceed the shorter of the planned expenditure span of the funds or the maximum number of years allowed as stated in C.2.03.

C.2.07 - Debt Service:
The investment strategy for the Debt Service Fund has as its primary objective the preservation and safety of capital while optimizing yield in order to fund debt service payments in accordance with provisions in the bond documents. Funds not required for immediate liquidity shall be invested in diversified instruments. All investments authorized by the Investment Policy are suitable. Debt Service Funds shall be invested to ensure adequate funding for each successive debt service payment. The Investment Officers shall invest in such a manner as not to exceed an “unfunded” debt service date with the maturity of any investment. The maximum maturity of an individual security shall not exceed three years and the maximum weighted average maturity of one year.

C.2.08 - Trust and Agency Fund:
The Trust and Agency Fund is comprised of local scholarship funds, club funds, and other funds for which the System acts as fiduciary and which have short-average lives and high liquidity needs. The primary objectives are safety, liquidity, diversification and yield. These objectives shall be accomplished by purchasing high-credit quality short-term investments and utilizing cash-equivalent investments for liquidity. All investments authorized by the Investment Policy are suitable. The maximum maturity shall be one year and the maximum weighted average maturity six months.

C.2.09 - Prudent Person Rule:
Investments shall be made, considering prevailing internal and market circumstances, which persons of prudence, discretion and intelligence would exercise in the management of their own affairs not for speculation, but for investment, and considering the probable safety of capital as well as probable income from an investment decision.

In determining whether an Investment Officer has exercised prudence with respect to an investment decision, the determination shall take into account the investment of all funds rather than a single investment and whether the investment decision was consistent with the System's Investment Policy.
C.2.10 - Downgrades:
Not less than quarterly, the Investment Officers will obtain from a reliable source the current credit rating for each held investment that has a PFIA-required minimum rating. The Investment Officers will meet to discuss any investment which has been downgraded or placed on credit-watch to evaluate and take any necessary and prudent measures to assure the safety of System funds. It is the policy of the System to liquidate as quickly as is prudently possible any investment that becomes unauthorized or loses its required credit rating while held in the System's portfolio.

C.2.11 - Delegation of Responsibility:
Authority to manage the System's investment program is derived from and delegated pursuant to provisions of the Act.

C.2.12 - Investment Officers:
The Board designates the Vice Chancellor for Administration and Finance/CFO and the Associate Vice-Chancellor for Administration and Finance as the System's Investment Officers. Management responsibility for the investment program is hereby delegated to the Investment Officers. The Investment Officers shall exercise judgment and care, under prevailing circumstances, which a prudent person would exercise in the management of the person's own affairs, but the Board retains ultimate fiduciary responsibility.

The Investment Officers shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinates. The Investment Officers will report quarterly to the Board on investment results and annually on counter-parties used in the process.

No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Investment Officers. Investment Officers acting in good faith and in accordance with these Policies and Procedures shall be relieved of personal liability.

C.2.13 - Capability of Investment Officers:
The System shall provide access to periodic training in investments for Trustees and Investment Officers and other investment personnel through courses and seminars offered by professional organizations, associations, and other independent sources in compliance with the Act to insure the quality and capability of investment management.

C.2.14 - Training:
Members of the Board of Trustees and Investment Officers shall acquire at least the minimum hours of investment training required by the Texas Higher Education Coordinating Board within 6 months after taking office or assuming duties. Training must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with the Act.
Thereafter, Investment Officers shall additionally complete at least the minimum required hours of training not less than once each State fiscal biennium. Training must be obtained from an independent source approved by the Board.

The Investment Officer shall prepare a report on the provisions of the Act and deliver it to the Board no later than the 180th day after the 1st day of each regular session of the Legislature.

C.2.15 - Ethics and Disclosure of Conflicts of Interest:
Investment Officers and employees of the System involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions.

All Investment Officers shall provide complete disclosure related to potential conflicts of interest annually or as conditions change. Investment Officers must file a disclosure statement with the Texas Ethics Commission and the Board if:
1. The Officer has a personal business relationship with a business organization offering to engage in an investment transaction with the System; or
2. the Officer is related within the second degree by affinity or consanguinity, as determined by Chapter 573 of the Texas Government Code, to an individual seeking to transact investment business with the System.

C.2.16 - Investment Providers:
The Investment Officers shall obtain and maintain information on all financial institutions and brokers/dealers authorized to transact financial transactions with the System. The information shall include the following, as applicable:
1. Audited annual financial statements;
2. proof of Financial Industry Regulatory Authority membership and CRD number;
3. proof of registration with the Texas State Securities Board; and
4. completed System questionnaire.

All investment providers (including but not limited to, financial institutions, broker/dealers, investment pools, mutual funds and investment advisors) shall provide a certification that the authorized representative of the firm has received and thoroughly reviewed the System's current Investment Policy. This statement shall certify that the firm has implemented reasonable procedures and controls in an effort to preclude transactions conducted with the System not authorized by the Investment Policy except to the extent that this authorization is dependent on the analysis of the makeup of the System's entire portfolio or requires interpretation of subjective investment standards.

C.2.17 - Annual Review:
The Investment Officers shall annually submit a list of brokers/dealers for Board approval. These institutions shall be selected for service, market involvement, and credit worthiness and be authorized to provide brokerage services. These may include primary dealers and regional dealers that qualify under the Securities and Exchange Commission uniform net capital rule (Rule 15C3-1).
The Investment Officers shall annually review and evaluate the firms authorized to enter into investment transactions with the System. The following minimum criteria may be included in the review and evaluation:

1. Number of transactions competitively won/attempted/lost;
2. prompt and accurate confirmation of transactions;
3. efficiency of transaction settlement;
4. accuracy of market information; and
5. account servicing.

Subsequent to the review and evaluation, the Investment Officers shall recommend to the Board a list of firms to be authorized to enter into investment transactions with the System for the following year.

C.2.18 - Authorized Investments:
The following are authorized investments:

1. Obligations of the United States of America or its agencies and instrumentalities, excluding mortgage backed securities (MBS);
2. Certificates of Deposit, and other forms of deposit, issued by a depository institution that has its main office or a branch office in Texas and that is guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or secured by obligations in a manner consistent with State law and the Investment Policy;
3. other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States government or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation, but excluding mortgage backed securities;
4. direct obligations of the State of Texas, or its agencies and instrumentalities;
5. obligations of states, agencies, counties, cities, and other political subdivisions of any State having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than “A” or its equivalent;
6. fully collateralized repurchase agreements with a defined termination date secured by a combination of cash and obligations of the United States government or its agencies and instrumentalities including mortgage backed securities. Underlying securities shall be held in the System's name, deposited at the time the investment is made with the System, and held by an independent custodian approved by the System. Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in Texas. A mutually acceptable master repurchase agreement must be executed prior to the transaction. Underlying securities shall have a continuous market value greater than or equal to 102 percent. The transaction shall have a maximum maturity of 120 days, except flexible repurchase agreements used for bond proceeds. The maximum maturity for a flexible repurchase agreement shall be matched to project cash flow projections and the requirements of the governing bond ordinance;
LONE STAR COLLEGE SYSTEM

Investment Management

7. Securities and Exchange Commission-registered Money Market Mutual Funds continuously rated AAAm or an equivalent rating by at least one nationally recognized rating service and in compliance with the requirements of the Act;
8. local government investment pools in Texas which meet the requirements of the Act, are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service and are authorized by resolution of the Board;
9. commercial paper with a maximum maturity of 180 days rated A1/P1 or an equivalent, by at least two nationally recognized credit rating agencies;
10. other types of investments which may be authorized by statute are not authorized for investment until such time as the Investment Policy, is amended and adopted by the Board, to include one or more of these investment types.

The following are not authorized investments:

1. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pay no interest;
2. obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
3. collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and
4. collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

C.2.19 - Collateralization:
Consistent with the requirements of the Public Funds Collateral Act (Texas Government Code §2257), it is the policy of the System to require full collateralization of all uninsured System financial institution deposits. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued earnings on the deposits less an amount insured by the FDIC.

Securities pledged as collateral shall be held by an independent third party bank outside the holding company of the pledging bank, approved by the System, and under a mutually agreeable custodial agreement.

The designated Investment Officers are authorized to execute depository and/or custodial agreements. The agreements shall specify the acceptable securities for collateral, including provisions relating to possession of the collateral, the substitution or release of securities with prior System approval, documentation of the pledge of securities and the monthly reporting on the valuation of collateral. Original evidence of pledges (safekeeping receipts) must be supplied to the System and retained. The financial institution shall be contractually liable for monitoring and maintaining the required collateral and collateral margins at all times.

Additionally, a depository agreement shall define the System’s rights to the collateral in case of default, bankruptcy or closing and shall establish a perfected security interest in compliance with Federal and State regulations, specifically:

1. The agreement must be in writing;
LONE STAR COLLEGE SYSTEM

Investment Management

2. the agreement has to be executed by the financial institution and the System contemporaneously with the acquisition of the asset;
3. the agreement must be approved by the Board of Directors or designated committee of the financial institution and a copy of the meeting minutes must be delivered to the System; and
4. the agreement must be part of the depository’s “official record” continuously since its execution.

C.2.20 - Authorized Collateral:
The System authorizes only the following types of collateral:

1. Obligations of the United States or its agencies and instrumentalities including mortgage backed securities which pass the high-risk mortgage obligation test;
2. direct obligations of the State of Texas or its agencies and instrumentalities;
3. obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized rating firm not less than A or its equivalent; and
4. Letters of Credit issued by the United States or its agencies and instrumentalities.

All collateral shall be subject to inspection and audit by the System's internal audit staff or by its independent auditors on a reasonable basis.

C.2.21 - Independent Third Party:
All securities owned by the System and collateral pledged to the System shall be held by independent third party custodians approved by the System and held in the System's account as evidenced by original safekeeping receipts of the institution with which the securities are deposited.

C.2.22 - Delivery versus Payment:
All security transactions, including repurchase agreements, shall be executed on a delivery versus payment basis.

C.2.23 - Competitive Environment:
A competitive environment shall be established for all investment activities, including but not limited to, analysis of implemented strategies, review of investment alternatives, monitoring of market conditions, solicitation from multiple investment providers, adherence to applicable “bona fide solicitation” rules and overall performance evaluation.

Comparison and evaluation of comparables, but not formal bidding, may be used to invest in financial institution deposits, money market mutual funds or local government investment pools.

Bids/offers may be solicited orally, in writing or electronically for securities and Certificates of Deposit. Records of the prices/levels (bid and/or offered and accepted) shall be maintained.
C.2.24 - Diversification:
The System recognizes that investment risks can result from issuer defaults, market price changes, or various complications leading to temporary illiquidity. Market risks are managed through portfolio diversification that shall be achieved within the following general guidelines:

a. Where appropriate, limiting investments to avoid over concentration in investments from a specific issuer or business sector;
b. Limiting investments with higher credit risk (such as commercial paper);
c. Investing in instruments with varying maturities and in accordance with the System's cash flow projections; and
d. Continuously investing a portion of the portfolio in readily available funds such as local government investment pools, financial institution deposits, money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

To assure diversification of the portfolio and reduce market risk, the following maximum limits (at time of purchase) by instrument are established for the System's total portfolio:

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Treasury Obligations</td>
<td>90%</td>
</tr>
<tr>
<td>US Agencies and Instrumentalities</td>
<td>90%</td>
</tr>
<tr>
<td>Certificates of Deposit</td>
<td>90%</td>
</tr>
<tr>
<td>Repurchase Agreements (excluding bond proceeds)</td>
<td>50%</td>
</tr>
<tr>
<td>Flexible Repurchase Agreements (bond proceeds)</td>
<td>100%</td>
</tr>
<tr>
<td>Investment Pools</td>
<td>100%</td>
</tr>
<tr>
<td>Municipal Securities</td>
<td>30%</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>25%</td>
</tr>
<tr>
<td>Commercial Paper by issuer</td>
<td>5%</td>
</tr>
</tbody>
</table>

C.2.25 Internal Controls:
The internal control structure shall be designed to provide reasonable assurance that System funds are protected from loss, theft or misuse. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

The internal controls established for the cash management and investment process shall address the following points at a minimum:

1. Complete documentation of all transactions
2. Control of collusion
3. Separation of accounting and record keeping
4. Custodial safekeeping
5. Clear delegation of authority to subordinate staff members
6. Written confirmation for all transactions
7. Timely reconciliation of transactions
8. Assurance of delivery versus payment and competitive bidding
C.2.26 – Compliance Audit:
In conjunction with the audit, the Vice Chancellor for Administration and Finance/CFO shall establish a process for independent review at least once every two years by an external auditor to assure compliance with policies and procedures.

C.2.27 - Monthly Reporting:
The Investment Officers shall prepare a monthly report on all investment positions as of the close of business for the prior month. The report shall be provided to the Board as an integral part of the monthly financial reports.

C.2.28 - Quarterly Reporting:
The Investment Officers shall prepare, sign and present an investment report to the Board on a quarterly basis that summarizes investment strategies employed in the most recent quarter, details the portfolio in terms of investments and earnings and summarizes the overall strategy for the period.

The quarterly investment report shall include a summary statement of investment activity prepared in compliance with the Act. The reports will be prepared in a manner that will allow the reader and the System to ascertain whether investment activities during the reporting period have conformed to the Investment Policy. The report will include the following at a minimum:

1. A detailed listing of individual investments and depository accounts by maturity date at the end of the reporting period;
2. a summary of the portfolio by market sectors and maturities;
3. the beginning and ending book and market values of each investment and position by the type of asset and fund type invested;
4. unrealized market gains or losses at the end of the period;
5. the account or fund or pooled group fund for which each individual investment was acquired;
6. average weighted yield to maturity of the portfolio as compared to its benchmark;
7. net accrued investment earnings for the reporting period;
8. diversification by market sectors; and
9. a statement of compliance with the Act and the System's Investment Policy and strategy as approved by the Board.

C.2.29 - Market Values:
Market values used in the monthly and quarterly reports will be obtained from reputable and independent sources. Information sources may include: financial/investment publications and electronic media, available software for tracking investments, depository banks, commercial or investment banks, financial advisors and representatives/advisors of investment pools or money market funds.

C.2.30 - Annual Policy Review and Adoption:
The Board of Trustees, not less than annually, shall adopt by resolution the System's Investment Policy and incorporated investment strategy. The adopting resolution shall state any changes
LONE STAR COLLEGE SYSTEM

Investment Management

made to either the Investment Policy or strategies. Material changes to the Investment Policy will require re-certification by financial firms.
Curriculum Report and Consideration No. 1  (ACTION ITEM 2)  Board Meeting 11-7-13

Request: Consideration of approval of Level 1 Certificate (32 credit hours) for implementation at Lone Star College-Tomball and Lone Star College-CyFair for spring 2014.

Chancellor’s Recommendation: That the Board of Trustees approves a Level 1 Certificate for Petroleum Data Technology.


The Texas Workforce Commission (TWC TRACER) shows the median hourly wage for this occupation as $22.79 based on 2011 wage reports, and EMSI shows the median hourly wage as $23.84 in 2013. Regional job postings (Burning Glass) and state occupational databases indicate a need for this occupation to work in industries that support activities for mining, oil and gas extraction, professional/scientific/technical services, pipeline transportation of natural gas, data processing/hosting/related services, and petroleum and coal products manufacturing. Regionally, support activities for mining are the dominant group with 38.84 percent of the employment base for this occupation.

The only college with a similar program in the Gulf Coast region is Houston Community College System. Their program has graduated only 72 students over the past five years, which shows an ongoing unmet demand for trained workers in this field (Texas Higher Education Coordinating Board (THECB) graduate data).

The THECB requires that the college district’s Board of Trustees approves new programs.

Fiscal Impact: Start-up funds available from Lone Star College System new program funds and LSC-Tomball and LSC-CyFair operating funds for 2013-14.

Vice Chancellor: Rand W. Key 832-813-6522
Curriculum Report and Consideration No. 2  (ACTION ITEM 3)  Board Meeting 11-7-13

Request: Consideration for Approval of the Core Curriculum for the Associate of Arts and the Associate of Science Degree for 2014-2015

Chancellor’s Recommendation: That the Board of Trustees approve the revised Associate of Arts and Associate of Science Core Curriculum for the 2014-2015 academic year. The revised core curriculum must be submitted to the Texas Higher Education Coordinating Board for final approval.

Rationale: Texas law provides this definition for “core curriculum” (TEC §61.821): “… the curriculum in liberal arts, humanities, and sciences and political, social, and cultural history that all undergraduate students of an institution of higher education are required to complete before receiving an academic undergraduate degree.” In January 2009, the Undergraduate Education Advisory Committee of the Texas Higher Education Coordinating Board (THECB) recommended that the statewide general education core curriculum be reconsidered. In October 2011, the THECB approved the revised core curriculum to be implemented for Fall 2014. Each institution has some flexibility in determining which specific courses meet THECB core curriculum requirements within the identified disciplines. The required fifteen (15) hours of general education for the Associate of Applied Science Degree comes from the core curriculum.

The THECB requires the Board to approve all changes to the core curriculum and to submit these changes on an annual basis.

The LSCS core curriculum is reviewed annually to insure compliance with requirements. Changes are recommended by faculty curriculum teams, reviewed by the general education committee, recommended by the Vice Presidents of Instruction, and approved by Executive Council. The revised core curriculum is attached.

Fiscal Impact: None

Staff Resource: Keri Rogers  832-813-6597
# Proposed Core 2014

## Associate of Arts and Associate of Science Core Requirements

<table>
<thead>
<tr>
<th>Foundational Component Area</th>
<th>Course Options</th>
<th>Semester Credit Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>COMMUNICATION</strong></td>
<td>ENGL 1301 and 3 hours of Speech: SPCH 1311, 1315, 1318, 1321</td>
<td>6 hours</td>
</tr>
<tr>
<td><strong>MATHEMATICS</strong></td>
<td>MATH 1314, 1316, 1324, 1325, 1332, 1342, *1350, *1351, 2318, 2320, †2412, †2413, †2414, †2415</td>
<td>3 hours</td>
</tr>
<tr>
<td><strong>LIFE &amp; PHYSICAL SCIENCES</strong></td>
<td>BIOL 1406 OR 1408; 1407 OR 1409; 1414, 2401, 2402, 2404, 2406, 2420, 2421; CHEM 1405, 1411, 1412, 2423, 2425; ENVIR 1401, 1402; GEOL 1403, 1404, 1405, 1445; PHYS 1401, 1402, 1403, 1404, 1410, 2425, 2426</td>
<td>8 hours</td>
</tr>
<tr>
<td><strong>CREATIVE ARTS</strong></td>
<td>ARTS 1301, 1303, 1304; DANC 2303; DRAM 1310, 2366; MUSI 1306, 1308, 1309, 1310</td>
<td>3 hours</td>
</tr>
<tr>
<td><strong>LANGUAGE, PHILOSOPHY, &amp; CULTURE</strong></td>
<td>ENGL 2322, 2323, 2327, 2328, 2332, 2333, 2341, 2342, 2343, 2351; HUMA 1301, 1302; PHIL 1301, 1304, 2306, 2307, 2316, 2317, 2318, 2321; ARAB 2311, 2312; CHIN 2311, 2312; FREN 2311, 2312; GERM 2311, 2312; ITAL 2311, 2312; JAPN 2311, 2312; PORT 2311, 2312; SGNL 2301, 2302; SPAN 2311, 2312, 2313, 2315</td>
<td>3 hours</td>
</tr>
<tr>
<td><strong>HISTORY</strong></td>
<td>HIST 1301 and 3 additional hours: HIST 1302 or HIST 2301</td>
<td>6 hours</td>
</tr>
<tr>
<td><strong>GOVERNMENT</strong></td>
<td>GOVT 2305 and GOVT 2306</td>
<td>6 hours</td>
</tr>
<tr>
<td><strong>SOCIAL/BEHAVIORAL SCIENCES</strong></td>
<td>ANTH 2301, 2351; CRU 1301, 1307; ECON 2301, 2302; GEOG 1301, 1303; HIST 2311, 2312, 2321, 2322; PSYC 2301; SOCI 1301, 1306</td>
<td>3 hours</td>
</tr>
<tr>
<td><strong>COMPONENT AREA OPTION</strong></td>
<td>ENGL 1302 or ENGL 2311; KINE 1111</td>
<td>4 hours</td>
</tr>
</tbody>
</table>

TOTAL: 42 hours

* Specifically designed for elementary and middle school teachers.
† This course satisfies the mathematics core requirement of three semester hours; however, the fourth hour is not a part of the transfer core curriculum and may be transferred as an elective hour.
# Proposed Core 2014
## Associate of Applied Science Degree
### 15 Hour General Education Requirements

<table>
<thead>
<tr>
<th>General Education Requirement</th>
<th>Course Options</th>
<th>Semester Credit Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>COMPOSITION</strong></td>
<td>ENGL 1301</td>
<td>3 hours</td>
</tr>
<tr>
<td><strong>MATH/NATURAL SCIENCES</strong></td>
<td>BIOL 1406 OR 1408; 1407 OR 1409; 1414; 2401, 2402, 2404, 2406, 2420, 2421; CHEM 1405, 1411, 1412, 2423, 2425; ENVR 1401, 1402; GEOL 1403, 1404, 1405, 1445; MATH 1314, 1316, 1324, 1325, 1332, 1342, *1350, *1351, 2318, 2320, 2412, 2413, 2414, 2415; PHYS 1401, 1402, 1403, 1404, 1410, 2425, 2426</td>
<td>3 hours</td>
</tr>
<tr>
<td><strong>SOCIAL/BEHAVIORAL SCIENCES</strong></td>
<td>ANTH 2301, 2351; CRJ 1301, 1307; ECON 2301, 2302; GEOG 1301, 1303; GOVT 2305, 2306; HIST 1301, 1302, 2301, 2311, 2312, 2321, 2322; PSYC 2301; SOCI 1301, 1306</td>
<td>3 hours</td>
</tr>
<tr>
<td><strong>HUMANITIES/FINE ARTS</strong></td>
<td>ARTS 1301, 1303, 1304; DANC 2303; DRAM 1310, 2366; MUSI 1306, 1308, 1309, 1310; ENGL 2322, 2323, 2327, 2328, 2332, 2333, 2341, 2342, 2343, 2351; HUMA 1301, 1302; PHIL 1301, 1304, 2306, 2307, 2316, 2317, 2318, 2321; ARAB 2311, 2312; CHIN 2311, 2312; FREN 2311, 2312; GERM 2311, 2312; ITAL 2311, 2312; JAPN 2311, 2312; PORT 2311, 2312; SGNL 2301, 2302; SPAN 2311, 2312, 2313, 2315</td>
<td>3 hours</td>
</tr>
<tr>
<td><strong>ELECTIVE</strong></td>
<td>Choose from courses listed above (not already taken) or from AA/AS core requirements. See specific degree plan.</td>
<td>3 hours</td>
</tr>
</tbody>
</table>

**TOTAL:** 15 hours

---

**NOTE:** Students in AAS degrees must meet math, computer literacy and communication competencies per Texas Higher Education Coordinating Board guidelines. The general education requirement for all AAS degrees is 15 semester hours.

* Specifically designed math courses for elementary and middle school teachers.
Monthly Financial Statements

The financial statements for the month ended September 30, 2013 are presented for Board review.
Prior to fiscal year 2010-11, the System’s financial software dated revenues as earned the same day as entered into the system. The current software, implemented in 2010-11, dates revenues in the time period the revenues are earned, regardless of the date the amounts were entered into the software program.
Prior to fiscal year 2010-11, the System’s financial software dated expenditures as incurred on the same day as entered into the system. The current software, implemented in 2010-11, dates expenditures in the time period the expenditures are incurred, regardless of the date the amounts were entered into the software program.
HOW MUCH DO WE NEED IN RESERVES?

SEPTEMBER

REVENUES

EXPENDITURES
# LONE STAR COLLEGE SYSTEM

## Statement of Revenues and Expenditures
### General and Auxiliary Funds
#### For the One Month Ended September 30, 2013

**Unaudited**

**REVENUES:**

<table>
<thead>
<tr>
<th></th>
<th>BUDGET</th>
<th>% ACTUAL TO BUDGET</th>
<th>PRIOR YEAR</th>
<th>% ACTUAL TO BUDGET</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>State Appropriations</strong></td>
<td>$72,510,000</td>
<td>12.0%</td>
<td>$9,197,014</td>
<td>13.8%</td>
</tr>
<tr>
<td><strong>Tuition and Fees</strong></td>
<td>102,720,000</td>
<td>41.7%</td>
<td>41,020,625</td>
<td>41.8%</td>
</tr>
<tr>
<td><strong>Taxes</strong></td>
<td>199,570,000</td>
<td>0.2%</td>
<td>169,279</td>
<td>0.2%</td>
</tr>
<tr>
<td><strong>Investments</strong></td>
<td>400,000</td>
<td>7.9%</td>
<td>28,701</td>
<td>8.8%</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>5,980,000</td>
<td>10.8%</td>
<td>124,959</td>
<td>2.3%</td>
</tr>
<tr>
<td><strong>Tuition/Growth Contingency</strong></td>
<td>2,250,000</td>
<td>0.0%</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Total Current Operations Revenues</strong></td>
<td>293,430,000</td>
<td>17.9%</td>
<td>50,540,578</td>
<td>18.1%</td>
</tr>
<tr>
<td><strong>Auxiliary Revenues</strong></td>
<td>14,700,000</td>
<td>4.2%</td>
<td>612,592</td>
<td>5.6%</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>308,130,000</td>
<td>17.2%</td>
<td>51,153,170</td>
<td>17.6%</td>
</tr>
<tr>
<td><strong>Reserves</strong></td>
<td>9,660,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Revenues and Reserves</strong></td>
<td>317,790,000</td>
<td>17.2%</td>
<td>51,153,170</td>
<td>17.6%</td>
</tr>
</tbody>
</table>

#### EXPENDITURES:

<table>
<thead>
<tr>
<th></th>
<th>BUDGET</th>
<th>% ACTUAL TO BUDGET</th>
<th>PRIOR YEAR</th>
<th>% ACTUAL TO BUDGET</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Instruction-Academic</strong></td>
<td>74,146,207</td>
<td>8.7%</td>
<td>5,953,572</td>
<td>8.3%</td>
</tr>
<tr>
<td><strong>Instruction-Workforce</strong></td>
<td>26,636,549</td>
<td>9.4%</td>
<td>2,303,278</td>
<td>8.6%</td>
</tr>
<tr>
<td><strong>Public Service</strong></td>
<td>769,547</td>
<td>6.4%</td>
<td>44,058</td>
<td>4.6%</td>
</tr>
<tr>
<td><strong>Academic Support</strong></td>
<td>54,344,922</td>
<td>5.4%</td>
<td>2,505,497</td>
<td>5.3%</td>
</tr>
<tr>
<td><strong>Student Services</strong></td>
<td>44,384,895</td>
<td>5.9%</td>
<td>2,156,137</td>
<td>5.6%</td>
</tr>
<tr>
<td><strong>Institutional Support</strong></td>
<td>32,498,156</td>
<td>7.2%</td>
<td>2,064,285</td>
<td>6.4%</td>
</tr>
<tr>
<td><strong>Plant Operation and Maintenance</strong></td>
<td>29,285,126</td>
<td>10.2%</td>
<td>2,624,985</td>
<td>8.7%</td>
</tr>
<tr>
<td><strong>Staff Benefits</strong></td>
<td>23,424,598</td>
<td>5.4%</td>
<td>1,540,352</td>
<td>5.3%</td>
</tr>
<tr>
<td><strong>Growth Contingency</strong></td>
<td>2,250,000</td>
<td>0.0%</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Total Educational and General Expenditures</strong></td>
<td>287,740,000</td>
<td>7.6%</td>
<td>19,192,164</td>
<td>7.0%</td>
</tr>
<tr>
<td><strong>Repair, Replacement and Other</strong></td>
<td>4,800,000</td>
<td>0.4%</td>
<td>7,117</td>
<td>0.2%</td>
</tr>
<tr>
<td><strong>Internally Designated</strong></td>
<td>14,700,000</td>
<td>6.2%</td>
<td>729,187</td>
<td>6.6%</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>307,240,000</td>
<td>7.4%</td>
<td>19,928,468</td>
<td>6.9%</td>
</tr>
<tr>
<td><strong>Other Changes - Debt Service &amp; Fund Transfers</strong></td>
<td>10,550,000</td>
<td>-</td>
<td>1,918,825</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Expenditures and Transfers</strong></td>
<td>317,790,000</td>
<td>7.4%</td>
<td>19,928,468</td>
<td>6.9%</td>
</tr>
</tbody>
</table>

**NET INCREASE (DECREASE) IN FUND BALANCES**

<table>
<thead>
<tr>
<th></th>
<th>BUDGET</th>
<th>ACTUAL</th>
<th>PRIOR YEAR</th>
<th>ACTUAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Funds</strong></td>
<td>0</td>
<td>28,780,887</td>
<td>31,341,297</td>
<td></td>
</tr>
<tr>
<td><strong>Auxiliary Funds</strong></td>
<td>0</td>
<td>(283,554)</td>
<td>(116,595)</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL NET INCREASE (DECREASE) IN FUND BALANCES</strong></td>
<td>0</td>
<td>28,497,333</td>
<td>31,224,702</td>
<td></td>
</tr>
</tbody>
</table>
### LONE STAR COLLEGE SYSTEM

#### Balance Sheet
**September 30, 2013**  
**Unaudited**

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>General &amp; Reporting</th>
<th>Restricted</th>
<th>GASB 34/35 Reporting &amp; Investment In Plant</th>
<th>Memorandum Totals Current Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash</strong></td>
<td>(7,036,376)</td>
<td>(2,073,299)</td>
<td>$</td>
<td>$ (9,109,675)</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>20,479,466</td>
<td>15,785,795</td>
<td>4,551,026</td>
<td>40,816,287</td>
</tr>
<tr>
<td>Investments</td>
<td>125,775,780</td>
<td>33,565,503</td>
<td>-</td>
<td>159,341,283</td>
</tr>
<tr>
<td>Prepaid and deferred expenses</td>
<td>3,879,953</td>
<td>-</td>
<td>3,879,953</td>
<td></td>
</tr>
<tr>
<td>Inventories, at cost</td>
<td>47,239</td>
<td>-</td>
<td>47,239</td>
<td></td>
</tr>
<tr>
<td>Amount to be provided for retirement long-term debt</td>
<td>-</td>
<td>582,760,036</td>
<td>-</td>
<td>582,760,036</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>-</td>
<td>-</td>
<td>765,596,802</td>
<td>765,596,802</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$ 143,146,062</td>
<td>$ 630,038,035</td>
<td>$ 770,147,828</td>
<td>$ 1,543,331,925</td>
</tr>
</tbody>
</table>

| LIABILITIES AND FUND BALANCES | | | | |

| LIABILITIES:                | | | | |
| Accounts payable            | $ 44,907,145         | $ 5,025,155 | 2,839,098                                 | $ 52,771,398                 |
| Deferred revenues           | 4,177,954            | 4,164,722   | -                                         | 8,342,676                    |
| Accrued compensable absences payable | 6,355,277          | 311,378    | -                                         | 6,666,655                    |
| Accrued interest payable    | -                   | 959,105    | -                                         | 959,105                      |
| Bonds payable               | -                   | 581,720,436| -                                         | 581,720,436                  |
| Assets held in custody for others | -           | 6,409,718  | -                                         | 6,409,718                    |
| **TOTAL LIABILITIES**       | 55,440,376           | 598,590,514| 2,839,098                                 | 656,869,988                  |

| FUND BALANCES:              | | | | |
| Unrestricted                | 87,705,686           | -          | 463,055,511                               | 550,761,197                  |
| Restricted                  | -                   | (62,131)   | -                                         | (62,131)                     |
| Non grant agreements        | -                   | (7,906,639) | -                                         | 294,886,622                  |
| Restricted for construction | -                   | 39,416,291 | 1,459,958                                 | 40,876,249                   |
| Debt service                | -                   |            | 767,308,730                               | 886,461,937                  |
| **TOTAL FUND BALANCES**     | 87,705,686           | 31,447,521 | 767,308,730                               | 886,461,937                  |

| TOTAL LIABILITIES AND FUND BALANCES | $ 143,146,062 | $ 630,038,035 | $ 770,147,828 | $ 1,543,331,925 |

Subject to Change pending completion of the August 31, 2013 audit.
<table>
<thead>
<tr>
<th>Description</th>
<th>Ending BV 08/31/2013</th>
<th>Total Buys</th>
<th>Total Sells</th>
<th>Interest/Dividends</th>
<th>Ending BV 09/30/2013</th>
<th>Ending BV 09/30/2012</th>
<th>Weighted Avg. Purchase Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>GENERAL FUNDS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CASH</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>POOLS</td>
<td>30,549,352</td>
<td>18,399,792</td>
<td>10,454</td>
<td>3,665</td>
<td>48,938,692</td>
<td>8,371,792</td>
<td></td>
</tr>
<tr>
<td>AGENCIES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CERTIFICATE OF DEPOSIT</td>
<td>61,802,213</td>
<td>6,024,402</td>
<td>1,010,366</td>
<td>25,887</td>
<td>66,816,249</td>
<td>50,617,156</td>
<td></td>
</tr>
<tr>
<td>COMMERCIAL PAPER</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MONEY MARKET ACCOUNT</td>
<td>10,019,274</td>
<td>1,565</td>
<td>-</td>
<td>1,565</td>
<td>10,020,839</td>
<td>20,036,657</td>
<td></td>
</tr>
<tr>
<td>Total / Average</td>
<td>102,370,839</td>
<td>24,425,760</td>
<td>1,020,820</td>
<td>31,118.20</td>
<td>125,775,780</td>
<td>81,176,264</td>
<td>0.30%</td>
</tr>
<tr>
<td>DEBT SERVICE &amp; CAPITAL PROJECTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CERTIFICATE OF DEPOSIT</td>
<td>5,113,896</td>
<td>423</td>
<td>-</td>
<td>423</td>
<td>5,114,319</td>
<td>5,060,226</td>
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<tr>
<td>DEBT SERVICE POOLS</td>
<td>13,362,604</td>
<td>107,267</td>
<td>-</td>
<td>1,693</td>
<td>13,469,871</td>
<td>3,711,264</td>
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</tr>
<tr>
<td>AGENCIES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COMMERCIAL PAPER</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAPITAL PROJECTS POOLS</td>
<td>9,968,901</td>
<td>1,099</td>
<td>-</td>
<td>761</td>
<td>9,969,999</td>
<td>49,943,440</td>
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</tr>
<tr>
<td>MONEY MARKET ACCOUNT</td>
<td>5,010,532</td>
<td>783</td>
<td>-</td>
<td>783</td>
<td>5,011,315</td>
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<td></td>
</tr>
<tr>
<td>Total / Average</td>
<td>33,455,933</td>
<td>109,571</td>
<td>0</td>
<td>3,659</td>
<td>33,565,503</td>
<td>58,714,930</td>
<td>0.18%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>135,826,772</td>
<td>24,535,331</td>
<td>1,020,820</td>
<td>34,777</td>
<td>159,341,283</td>
<td>139,891,194</td>
<td>0.28%</td>
</tr>
</tbody>
</table>
Request: Consideration of Approval to Purchase Equipment for the Energy and Manufacturing Institute (EMI) at LSC-University Park

Chancellor’s Recommendation: That the Board of Trustees approves the purchase of equipment for the EMI at LSC-University Park in the amount of $195,900 from Mazak Corporation, 10950 Greenbend Blvd., Houston, TX 77067.

Rationale: A computer numerically controlled (CNC) lathe machine and seven control trainers for all CNC applications is needed to support the training to be offered at the EMI for energy, engineering and continuing education students as well as customized corporate training.

This purchase is in compliance with Texas Education Code §44.031. A Request for Proposals (RFP #272) was advertised and issued to twelve (12) registered energy and manufacturing equipment vendors and three (3) proposals were received for the lathe machine and seven control trainers. The award could not be based on low bid alone. Proposals were evaluated based on cost, quality of equipment and vendor references, value-added options, the extent to which certified minority and/or veteran-owned businesses are utilized and long-term cost to the System. It is recommended to award the bid to the vendor with the highest evaluation score as reflected in the attached proposal evaluation tabulation. The recommended vendor provides an integrated control training system which meets the long term needs of LSCS students and faculty. In addition, this vendor will provide value-added features such as local 24/7 support, free upgrades, system certification of faculty and students, lifetime warranties and remote equipment operation.

Fiscal Impact: Funds for this purchase are available from the Texas Workforce Commission Skills Development Grant for Tenaris.

Staff Resource: Keri Rogers 832-813-6597
### Proposal Evaluation

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>Total Points</th>
<th>Mazak</th>
<th>Hartwig</th>
<th>DMG/Mori Seiki/Ellison</th>
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</thead>
<tbody>
<tr>
<td>Proposed Cost</td>
<td>40</td>
<td>35.8</td>
<td>33.9</td>
<td>40</td>
</tr>
<tr>
<td>Qualifications</td>
<td>10</td>
<td>6.9</td>
<td>6.2</td>
<td>6.8</td>
</tr>
<tr>
<td>Other Relevant Factors</td>
<td>5</td>
<td>5.0</td>
<td>4.3</td>
<td>4.2</td>
</tr>
<tr>
<td>Quality Plan</td>
<td>10</td>
<td>6.3</td>
<td>5.0</td>
<td>3.8</td>
</tr>
<tr>
<td>Past Performance</td>
<td>5</td>
<td>4.7</td>
<td>4.3</td>
<td>4.5</td>
</tr>
<tr>
<td>HUB, Minority, Veteran and Women Owned</td>
<td>10</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Long Term Cost</td>
<td>10</td>
<td>6.7</td>
<td>2.8</td>
<td>4.2</td>
</tr>
<tr>
<td>Vendor Reputation</td>
<td>10</td>
<td>7.3</td>
<td>6.3</td>
<td>7.3</td>
</tr>
<tr>
<td><strong>Total Score</strong></td>
<td><strong>100</strong></td>
<td><strong>72.7</strong></td>
<td><strong>62.9</strong></td>
<td><strong>70.8</strong></td>
</tr>
</tbody>
</table>
Financial Report and Consideration No. 3 (ACTION ITEM 5) Board Meeting 11-7-13

Request: Consideration of Approval to Purchase Starbucks Products to Support “We Proudly Brew” Programs at LSC-CyFair and LSC-Tomball

Chancellor’s Recommendation: That the Board of Trustees approves the purchase of Starbucks products to support the “We Proudly Brew” programs at LSC-CyFair and LSC-Tomball from Sysco Food Service, 1390 Enclave Parkway, Houston, TX 77077-2099, for an amount not to exceed $517,000 over five years.

Rationale: The “We Proudly Brew” program is operated at LSC-CyFair and LSC-Tomball and has consistently been successful and popular among students, employees and visitors. This purchase will consist of Starbucks brand coffees, teas, cups, napkins, snacks, flavored syrups and sauces.

Budgeted costs for these products during FY 2013-14 are $95,000. This amount includes $25,000 for specialty items that must be purchased directly from Starbucks. Annual costs are anticipated to increase 3% a year. The costs of these products are offset by the markup in the selling price of the coffee products.

Pursuant to Texas Education Code Subchapter B, Sec. 44.031 A (i), a sole source purchase is justified for an item for which competition is precluded because of the existence of a patent, copyright, secret process or monopoly. Starbucks has contracted with Sysco Food Service to be the sole, exclusive national distributor of Starbucks branded food and beverage products.

Fiscal Impact: Funds for this purchase are available from the approved FY 2013-14 auxiliary budgets for LSC-CyFair and LSC-Tomball. Funds for subsequent years will be included in future proposed budgets.

Staff Resource: Cynthia Gilliam 832-813-6512
Financial Report and Consideration No. 4  (ACTION ITEM 6)  Board Meeting 11-7-13

Request: Consideration of Approval to Purchase Additional Ink and Toner Cartridges and Printer Maintenance for the System

Chancellor’s Recommendation: That the Board of Trustees approves the purchase of additional ink and toner cartridges and printer maintenance for the System from Global Laser, Inc., 5805 Chimney Rock, Suite A, Houston, Texas 77081, in the amount of $300,000 bringing the total contract cost to $2,500,000 over the five year term.

Rationale: Ink and toner cartridges are required in the daily operation of computer printers and fax machines. In addition, equipment maintenance is required to ensure printers and fax machines are operating at optimum performance. This request is to approve additional purchases from now through the end of the contract as the costs for these supplies and services have increased with the System’s growth.

In compliance with the provisions of Texas Education Code 44.031, the initial award was completed through a formal competitive process (RFP #09-052) which the Board approved in March 2009. A new bid process will be conducted in the next few months and a recommendation for a contract award will be made to the Board in Spring 2014.

Fiscal Impact: Funds for these purchases are included in the approved FY 2013-14 budgets for the System.

Staff Resource: Cindy Gilliam 832-813-6512
Request: Consideration of Approval to Renew System License for the Remote Hosting Application of the Online Early Alert System (OEAS) and Purchase Additional Consulting Services

Chancellor’s Recommendation: That the Board of Trustees approves the System license renewal for the remote hosting application of OEAS and the purchase of additional consulting services from Starfish Retention Solutions, 1400 Key Blvd., Suite 1050, Arlington, VA 22209, in the amount of $40,000 for a not-to-exceed total of $300,000 over the five year term.

Rationale: The OEAS provides a mechanism for the System to document and track student success and integrate with the Learning Management System and PeopleSoft applications. The additional purchase is a six month fee for the System license, maintenance, and hosting which is necessary due to the increase of students between 2009 and 2013.

In December 2009, the Board approved the award of the contract for one year with four additional one-year renewals. The System is scheduled to conduct a new RFP process within six months to identify the best solution for the next five years.

Fiscal Impact: Funds for this purchase are included in the approved FY 2013-14 operating budget for the System.

Staff Resource: Keri Rogers 832-813-6597
Financial Report and Consideration No. 6   (ACTION ITEM 8)   Board Meeting 11-7-13

Request: Consideration of Approval to Authorize the Chancellor or Designee to Negotiate and Execute a Change Order for the Purchase of Supplemental Construction Services for the Energy and Manufacturing Institute (EMI) Building at LSC-University Park

Chancellor’s Recommendation: That the Board of Trustees authorizes the Chancellor or designee to negotiate a change order for the purchase of supplemental construction services for the EMI Building at LSC-University Park from Tellepsen Builders, L.P., 777 Benmar Drive, Suite 400, Houston, TX 77060, in the amount of $400,000, bringing the total construction contract to $13,726,632.

Rationale: In February 2013, the Board approved the Guaranteed Maximum Price (GMP) of $12,971,000 for the construction of the 72,000 square foot EMI building and associated parking. Typically, a construction project will be bid in several phases so that the initial phase can be started at an earlier date when only a portion of the project requirements are known. In August 2013, the Board approved a $355,632 change order for the construction of the detention pond associated with the project.

This change order addresses additional utility related construction service requirements from CenterPoint Energy, Municipal Utility District 286 and the campus chilled water system. Additional funding is also required to address access drive conflicts with the Hewlett Packard roadway infrastructure.

Fiscal Impact: Funds for this purchase are available from the Revenue Financing System Bonds, Series 2012B.

Staff Resource: Cindy Gilliam 832-813-6512
Financial Report and Consideration No. 7  (ACTION ITEM 9)  Board Meeting 11-7-13

Request: Consideration of Approval to Purchase Additional Internal Revenue Service (IRS) Form 1098-T Reporting Services for the System

Chancellor’s Recommendation: That the Board of Trustees approves the purchase of additional IRS Form 1098-T reporting services for the System from Educational Computer Systems, Inc. (ECSI), 181 Montour Run Rd., Coraopolis, PA 15108, in the amount of $60,000 bringing the total contract cost to $282,884 over the five year term.

Rationale: This reporting service provides IRS Form 1098-T information to all applicable students in the System’s database. ECSI prints and mails a fully calculated 1098-T form to the students. In addition, ECSI provides a secure website for the students to view and re-print the 1098-T form using a school code, account number and pin number.

In compliance with the provisions of Texas Education Code 44.031, the initial award was completed through a formal competitive process (RFP #073) which the Board approved in November 2010. The initial award was for three years with two one-year renewals.

Fiscal Impact: Funds for this purchase are included in the approved FY 2013-14 operating budget for the System. Funds for subsequent fiscal years will be included in future proposed budgets.

Staff Resource: Cindy Gilliam  832-813-6512
Request: Consideration of Approval to Authorize the Chancellor or Designee to Negotiate and Execute a Contract Amendment to Purchase Additional Janitorial Services for LSC-CyFair and LSC-Atascocita

Chancellor’s Recommendation: That the Board of Trustees approves the Chancellor or designee to negotiate and execute a contract amendment to purchase additional janitorial services from C & S Janitorial Services, 13940 Bammel N. Houston, Suite 308, Houston, Texas 77066, in the amount of $254,000, bringing the total contract cost to $348,475 for the eight month contract term.

Rationale: The initial purchase of janitorial services from C & S Janitorial Services was in accordance with the System’s Board policies and Texas Education Code 44.031 through a formal bid process (RFP#08-283) and approved by the Board of Trustees on August 7, 2008. The addition of a significant amount of space requiring these services has necessitated a more comprehensive scope of services to be developed and included in a new bid process. The bid documents that include the scope of services will be issued in the near future, but the resulting recommendations will be brought to the Board after the expiration of the current contract. C&S Janitorial Services has agreed to continue services on a short-term basis until the bid process has been completed. An initial contract for two months was issued in September for an amount requiring administrative approval. With the addition of the cost of an additional six months of services, the contract requires Board approval. This request will extend the contract for six months beginning November 8, 2013.

Fiscal Impact: Funds for this purchase are included in the approved FY 2013-14 operating budget for the System.

Staff Resource: Cindy Gilliam 832-813-6512
Financial Report and Consideration No. 9 (ACTION ITEM 11) Board Meeting 11-7-13

Request: Consideration of Approval of Authorization for the Chancellor or Designee to Negotiate and Execute a Lease Agreement for a Temporary Modular Building at LSC-Montgomery

Chancellor’s Recommendation: That the Board of Trustees approves the authorization of the Chancellor or designee to negotiate and execute a lease agreement for the temporary modular building at LSC-Montgomery from Williams Scotsman Corporation, 7915 FM 1960 West, Suite 115, Houston, Texas 77070, for an annual cost of $50,400, and a total cost of $151,200 if the optional two one year renewals are executed. In addition, there will be dismantling and return freight costs of $45,500 upon final expiration of the lease.

Rationale: LSC-Montgomery has leased this temporary modular building since December 2007. The modular building houses the Audio Visual program and light and sound equipment has been incorporated as a part of the building. The classroom and equipment will be moved to a permanent structure when space becomes available.

The initial lease agreement for this modular building was in accordance with the System’s Board policies and Texas Education Code 44.031 through an interlocal agreement with the Texas Cooperative Purchasing Network (TCPN) which was approved by the Board of Trustees September 6, 2007. The original contract and subsequent amendments expired August 31, 2013. Since September 1, 2013, the System has been operating under a month-to-month agreement at the same rate of $4,200 per month. This request is to enter into a new lease agreement for one year with two optional one year renewals utilizing the TCPN purchasing cooperative awarded contract #R5071.

Fiscal Impact: Funds for this purchase are included in the approved FY 2013-14 operating budget for LSC-Montgomery. Funds for subsequent years will be included in future proposed budgets.

Staff Resource: Austin Lane 936-273-7222
                   Cindy Gilliam 832-813-6512
Request: Consideration of Approval to Authorize the Chancellor or Designee to Negotiate and Execute an Agreement for the Purchase of Electricity Services

Chancellor’s Recommendation: That the Board of Trustees authorizes the Chancellor or designee to negotiate and execute an agreement for the purchase of electricity services from Energy For Schools (EFS), Two Park Ten Place, 16300 Katy Frwy, Suite 140, Houston, TX 77094, for a period of 36 months, beginning July 1, 2016 to June 30, 2019.

Rationale: LSCS’ existing agreement for electricity service purchases for facilities located in Harris County expires on June 30, 2016. Our current electricity supplier is EFS which is a Political Subdivision organized under the authority of the Texas Local Government Code for the purpose of negotiating the purchase of electric services on behalf of its members. LSCS has been a member of this organization since 2004.

The natural gas market is currently at an all-time low and inventory is at an all-time high. Electricity generation within Houston is dependent on natural gas with 65% being generated with natural gas. As stipulated in the current contract, our current electricity rate is $.06399/ KWh through June 30, 2014. The electricity rate the System will be paying from July 2014 through June 2016 is $0.06749 /KWh. Based on the current market, it is estimated the System could obtain a new fixed rate of $0.057/ KWh for the period July 1, 2016 to June 30, 2019, resulting in a cost reduction of approximately $1.93M over the 36 month term. Additionally, EFS will offer a contract participation incentive in the amount of $75,605. This incentive will be paid to LSCS when the executed contract begins in July 2016.

EFS is in the process of seeking competitive bids for a pool of members with a July 2016 estimated “strike” price of $.057 per KWh. Bid rates must be accepted the same day they are received in order to execute a fixed rate contract. This request is to authorize the Chancellor or designee to execute the contract once the final price is established.

This purchase is in accordance with Texas Government Code, Subchapter F, Sections 271.101-102. The Board of Trustees approved the college system’s membership in EFS’ Electrical Cooperative at its December 2003 meeting.

Fiscal Impact: Electricity costs for this future 36 month period will be included in future proposed budgets at the final contracted strike price and projected usage.

Staff Resource: Cindy Gilliam 832-813-6512

Exhibit "O"
Financial Report and Consideration No. 11  (ACTION ITEM 13)  Board Meeting 11-7-13

Request: Consideration of Approval for the Chancellor or Designee to Negotiate and Execute a Contract for the Sale of the Original Conroe Center, located at 102 Longview Street, Conroe, TX 77301

Chancellor’s Recommendation: That the Board of Trustees authorize the Chancellor or his designee to negotiate and execute a contract for the sale of the original Conroe Center to Dirk D. Laukien, 24 Waterway Avenue, Suite 225, The Woodlands, Texas 77380, for a projected amount of $1.9 million dollars.

Rationale: South Bay Solutions, Inc., currently a tenant of Lone Star College System, has exercised their contractual option to purchase the original Conroe Center property as defined in the lease agreement. The purchase option will be assigned to Dirk D. Laukien, an investor, who will purchase the property on behalf of South Bay Solutions, Inc.

The property consists of approximately 30,534 square feet and 2.39 acres of land in the Brookmeadow Office/Warehouse Park located in an industrial area east of the City of Conroe.

The original Conroe Center was leased by Lone Star College System as a satellite center serving the Conroe area from 2001 to 2011, and was subsequently donated to Lone Star College System at the expiration of the lease term in August 2011. Classes moved to the current Conroe Center in the Spring of 2011, and South Bay Solutions, Inc. began leasing the property in July 2012.

As outlined by the purchase option, if neither party can agree on one appraiser, then each shall hire an appraiser and the final price shall be the average of the two appraised values. Lone Star College System engaged Cushman & Wakefield, a national firm, to appraise the property, resulting in a valuation of $1.975M. South Bay Solutions, Inc. engaged Whitney & Associates, a local firm, to appraise the property, resulting in a valuation of $1.840M. The sales price was set at the average of the two appraised values, or $1.9075M.

The transaction is estimated to close by December 18, 2013, subject to the completion of the buyer’s due diligence period.

Fiscal Impact: The estimated $1.9M proceeds from the transaction will be credited to the 2008 General Obligation Bond account.

Staff Resource: Cindy Gilliam 832-813-6512
Report: Construction Projects Update

The District’s Facilities Planning and Construction Department has provided a summary report of the District’s construction projects. See attached report.
2012 Revenue Bond Project Summary

- **LSC-University Park**
  - Energy and Manufacturing Institute Building (EMI) – All exterior tilt-wall panels have been erected, slab-on-grade construction is complete, and sections of the elevated second floor slab have been poured. The roofing installation is underway. Substantial completion is scheduled for March 2014.

2013 Revenue Bond Project Summary

- **Tomball Oil Rig Site**
  - Negotiations on the purchase and sale agreement have been finalized and the associated phase I environmental assessment has been completed. The phase II environmental assessment will commence in mid-November with closing on the property planned for late December.

- **Creekside Center**
  - A request for qualifications for architectural design services has been issued and proposals have been received and evaluated. The short-listed firms have been interviewed and a recommendation will be presented at the December board meeting for consideration of approval.

- **LSC-Fairbanks Center Parking Garage**
  - The schematic design of the new parking garage has been completed. A request for proposals has been issued to select a construction manager-at-risk firm. A recommendation will be presented at the December board meeting for consideration of approval.

- **LSC-Cy Fair- Building Renovations**
  - Space vacated as result of the relocation of the welding and machine shop labs to the Cypress Center is being renovated to accommodate a new audio/video production photography studio. Programming has been completed and design is underway.

- **LSC-Kingwood-Fitness Center HVAC Renovation**
  - The engineering design has been completed. A request for proposals has been issued and responses received. Proposals are currently under evaluation.

- **LSC-University Park – Chiller Replacement**
  - An engineering study is currently underway to determine the full scope of the necessary central plant equipment improvements.

- **LSC-North Harris – Science Labs Renovation**
  - A request for qualifications for architectural design services has been issued and responses have been received and evaluated. The short-listed firms were interviewed and a recommendation will be presented at the December board meeting for consideration of approval.
Personnel Report and Consideration No. 1    (ACTION ITEM 14)    Board Meeting 11-7-13

Request: Consideration of Ratification of Appointments.

Chancellor’s Recommendation: That the contractual appointments listed on the following pages be ratified for the positions indicated.

Rationale: These contractual appointments include ratification of Administrators and Faculty from LSC-CyFair, LSC-Kingwood, LSC-North Harris, LSC-System Office and LSC-University Park.

Fiscal Impact: Positions and salaries have been budgeted for 2013-2014.

Staff Resource: Rand Key 832-813-6522
a. LSC- University Park

Alan S. Gandy, Assistant Professor, Computer Information System
Effective: 10.5 month contracted employee at an annual salary of $50,776 beginning August 19, 2013

Education: B.A., Anthropology, Chico State; M.A., Instructional Technology, Virginia Tech; M.S., Professional Studies, Web Development, Fort Hays State University

Experience: Adjunct Instructor, Computer Applications, LSC-University Park; Instructional Technologist, LSC-Tomball; Instructional Designer, Martlet Services; Manager, Application Training, Testing and Support, Mortgage IT of Deutsche Bank; Performing Technologist, ACC Capital Holdings; Performance Technologist, Washington Mutual; Support Trainer, Captus Networks

Christina Robinson Grochett, Chief Strategist, Innovation/Research
Effective: 12 month contracted employee at an annual salary of $125,000 beginning September 9, 2013

Education: M.A., Organizational Management, University of Phoenix; B.A., Speech Communication, Texas A&M University

Experience: Campus Vice President, Director of Corporate Education, Territory Vice President, Director of Enrollment, Adjunct Faculty, University of Phoenix, Executive Recruiter, Pro-Staff Finance & Accounting; Senior Executive Recruiter, Global Search Consulting; Staffing Manager, Robert Half International

John Skopak, Assistant Professor, Engineering
Effective: 10.5 month contracted employee at an annual salary of $49,092 beginning August 19, 2013

Education: B.S., Petroleum Engineering, West Virginia University

Experience: Adjunct Professor, Advanced Technology, LSC-CyFair; Manager, Risk Management, Project Manager, Piceance Basin, Eastern Regional Manager, Site Manager, ConocoPhillips

b. LSC- CyFair

Lindsey Bartlett, Librarian/Professor
Effective: 12 month contracted employee at an annual salary of $54,320 beginning August 19, 2013
Education:  M.S., Information Studies, University of Texas School of Information  
B.A., English, Art, Texas A&M University;

Experience:  Reference Librarian, LSC-CyFair; Student Researcher, University of Texas School of Information; Technology Specialist, Harry Ransom Humanities Research Center; Sales, Barnes & Noble

Kelly Gernhart, Dean, Instruction
Effective:  12 month contracted employee at an annual salary of $92,000 beginning September 19, 2013

Education:  Ph.D., Education, University of Kansas; M.S., Industrial Technical Education, Central Missouri State University; B.S., Electrical Engineering, Iowa State University

Experience:  Assistant Dean, Strategic Analyst, Fundraising and Strategic Partnerships, Program and Curriculum Development, Johnson County Community College; Program Dean, Professor, Electronics and Computer Technology, Devry University

Kathryn Whitfield, Assistant Professor, Radiological Technology
Effective:  12 month contracted employee at an annual salary of $60,125 beginning September 1, 2013

Education:  A.S., Radiological Technology, IU Medical Center

Experience:  Consultant, Corporate Integrity Department, Ochsner Clinic Foundation; Consultant, Business Office and CV Imaging, Technical Coordinator, CV Imaging Director, Catheter Lab Coordinator, Special Procedure Technologist, Tomball Regional Medical Center

c.  LSC- North Harris

Pradeep Lele, Professor, Librarian
Effective:  12 month contracted employee at an annual salary of $80,941 beginning September 1, 2013

Education:  M.S., Library Science, University of Missouri-Columbia; B.S., Library Science, University of Bombay

Experience:  Reference/Acquisitions Librarian, Director, Library, Director, Faculty & Staff Center, Reference/Information Technology Librarian, LSC-North Harris; Science Reference Librarian, Lamar University; Reference Librarian, University of Missouri-Columbia
**Connie Noeller, Professor, Nursing**

Effective: 10.5 month contracted employee at an annual salary of $62,052.64 beginning September 1, 2013

Education: M.S., Nursing, Texas Woman’s University; B.S., Nursing, Prairie View A&M; A.S., Nursing, Education, San Jacinto College

Experience: Assistant Professor, Nursing, Coordinator, Nursing Lab, LSC-North Harris; Nurse Practitioner, Tomagwa Healthcare Ministries; Registered Nurse, Conroe Regional Medical Center; Registered Nurse, Kingwood Medical Center; Registered Nurse, Preferred Emergency Room

d. **LSC Kingwood**

**Alicja Jac-Kucharski, Assistant Professor, Government**

Effective: 10.5 month contracted employee at an annual salary of $55,122 beginning September 1, 2013

Education: Ph.D., M.A., Political Science, University of California-Davis; B.A., Political Science, University of California, Berkley

Experience: Adjunct Faculty, Government, LSC-Kingwood; Teaching Assistant, Political Science, University of California-Davis

e. **System Office**

**Teneeshia Johnson, Director, Grant Development**

Effective: 12 month contracted employee at an annual salary of $67,592 beginning September 3, 2013

Education: M.P.A., Ashford University; B.A., Psychology, Limestone College

Experience: Program Manager, Disability Services, Grant Writer, LSC-North Harris; Developmental Manager/Grant Writer, Greater Columbia Community Developmental Center; Adjunct Instructor, Grant Writing, University of South Carolina; CEO/Strategy & Developmental Consultant, CCG Corporation Executive Director, Grant Writer, Franklin County Partnership, Inc.

**Lynette O’Keefe, Executive Director, Educational Partnerships**

Effective: 12 month contracted employee at an annual salary of $85,000 beginning September 1, 2013

Education: Ph.D. Higher Education Administration, M.S., Psychology, B.A., Psychology, University of North Texas

Experience: Assistant Director for Enrollment Management, Student Services Coordinator, Graduate Services Assistant, University of North Texas
Marshall Scott, AVC, AA&EMI

Effective: 12 month contracted employee at an annual salary of $125,741 beginning September 3, 2013

Education: Ph.D., History, M.A., History, B.A., History and Political Science, Louisiana State University; B.A., History, Political Science, Baylor University

Experience: Affiliated Faculty, History, Assistant Vice President, Instructional Support and Outreach, Executive Director, Educational Technology and University Outreach, Director, Educational Technology and University Outreach, Associate Director, Assistant Director, Distance Education, University of Houston
Request: Consideration of Resignations

Chancellor’s Recommendation: That the resignations listed below be accepted and acknowledged.

**LSC-Kingwood**
Waymond Wesley, Program Director, Men’s Center
Effective September 13, 2013

**LSC-System Office**
William Herrera, Director, HR/EE Relations
Effective September 24, 2013

Staff Resource: Rand Key 832-813-6522
Request: Consideration of Approval of Commissioning of Peace Officers

Chancellor’s Recommendation: That the Board of Trustees approves the commissioning of the following peace officers for the Lone Star College System.

**Lone Star College–CyFair**
Zahava Rais

**Lone Star College–Kingwood**
Damon Robinson

**Lone Star College–Montgomery**
Darrell Bailey

**Lone Star College–North Harris**
Sharlene Hackett

**Lone Star College–University Park**
Daniel Meza

**Lone Star College–Tomball**
Robin Krath

Rationale: These officers are eligible to be commissioned by this Board because they:
1. Have a current license from the Texas Commission on Law Enforcement Officer Standards and Education;
2. Have taken and filed the oath required of peace officers; and
3. Possesses a sufficient number of college credit hours to meet the minimum standard for a Lone Star College System peace officer.

Fiscal Impact: None

Staff Resource: Rand Key 832-813-6522