



The Foundation for The Gator Nation

***Board of Trustees
Minutes
December 1, 2006***

A regular meeting of the University of Florida Board of Trustees was held on Friday, December 1, 2006 at 11:00 a.m., in President's Room 215B of Emerson Alumni Hall, University of Florida.

Chairman Manny Fernandez called the meeting to order and confirmed a quorum.

Mr. Fernandez called upon President Machen to deliver the President's report. Dr. Machen began by thanking all for their hard work on the Academic Enhancement Program, a strategic initiative as the university moves forward to achieve greatness. In the three years here at the University of Florida, he is pleased with the progress, though we need to continue to look at areas we can improve.

Dr. Machen continued by stating the University needs a full time CFO that will monitor all of the funds. This will require a national search dedicated solely to this purpose. Dr. Machen personally thanked the Board for input into this decision and for patience going forward. He spoke of the overall coordination of administrative activities at UF and commented on UF's incredibly talented leaders. He continued by saying that organizationally, the structure remains complex and, to address that, Kyle Cavanaugh will become the Sr. Vice President for Administration, a new role. He will, for the time being, continue his current HR duties and he will work with all of the vice presidents to work through details.

Lastly, he gave an update on the progress with CLAS. At the end of the last fiscal year, significant overspending was discovered. The Provost has provided \$8M to eliminate those deficits. To address the continuing budget deficit, a 5-year plan was developed. Developing this plan over the summer with a tight deadline was far from ideal but was necessary due to the magnitude of the debt. In response to faculty criticism of proposed cuts, I have invited faculty in September, October and other times to make suggestions about the 5 year plan. So far, no alternative ways to bring this budget into balance have been presented. The current 5 year plan is in place until we can get changes that are satisfactory to all concerned.

Dean Sullivan is stepping down and will return to the Physics Department. The college owes him gratitude for his leadership. In January, Associate Provost Joe Glover will begin serving as Interim Dean. The budget has presented many challenges. We all believe strong liberal arts and sciences programs are essential to the University of Florida. However, the university cannot continue to live in a deficit spending mode. Strong leadership is the key to moving ahead. The Provost has been extremely supportive of CLAS and I continue to wait for CLAS to step forward. I am told there is progress being made on this front and am most hopeful. We must and will have a sound plan for the future.

Chairman Fernandez requested the committee reports. Trustee Joelen Merkel delivered her report on the Committee on Audit and Operations and noted the attendance of David Brown, Courtney Cunningham, Al Warrington. After the approval of the September 7, 2006 meeting minutes, the committee discussed the audited financial reports of direct support and other affiliated organizations, a consent agenda item, noting that the opinions for the 23 DSO financial reports previously submitted to the committee were all unqualified. The committee discussion included the change in auditors at 2 DSOs, and the reportable conditions and management letter comments from the auditors, with other questions submitted for response directly to the questioning committee member. The committee agreed to recommend the acceptance of these audited reports to the full Board.

The agenda item related to the Office of Audit and Compliance Review included the review of audits issued since the last meeting. The presentation of one internal audit was postponed to the next meeting since the audit could not be completed and distributed in time for this meeting. Trustee Warrington inquired about the timing of follow-up procedures in lieu of some critical comments contained within a number of audits. He was assured that every comment was followed-up and that in many cases, before the issuance of audit reports, corrective action plans are generally put in place. Nur Erenguc, Chief Audit Executive, commented that the follow-up review results did not reveal any unusual issue to be brought to the attention of the audit committee. Trustee Merkel commented on the internal audit covering bank reconciliations noting that the implementation to Peoplesoft created the challenge of developing a new reconciliation process, causing delays in the timely reconciliation of accounts. Mike McKee, Controller, stated that all reconciliations are now current and confirmed his understanding of the committee's requirement of timely reconciliations and resolutions of differences.

Nur provided an update on the implementation status for University of Florida Compliance Hotline. The targeted go live date continues to be January 1, 2007. The contract with Network, the vendor, has been finalized with the issuance of a purchase order. A number of items including "web landing page" and other procedural write-ups, coordination protocols and information pamphlets are yet to be completed. Trustee Warrington inquired about any follow-up work being performed on the issue of CLAS budget deficit and the recent media coverage. He expressed his concerns about this potentially emerging as an issue requiring review by Nur's office again.

Trustee Merkel updated the members of the audit committee on the all day audit committee workshop held in Orlando on November 29th, which she and Nur attended. This meeting was initiated by the BOG Audit Committee chair Lynn Pappas and was attended by the audit directors, financial managers and audit committee members of the State University System. Carolyn Roberts, Chair of the BOG, also attended the meeting. Presentations made and items discussed reflected that universities significantly differed in their audit oversight and governance. Attendees expressed a great desire for tools for the systematic oversight of key risks common to universities and obtaining input from SUAC (State University Auditors Consortium) in identifying the expectations from the BOG Audit Committee and its relation to BOT Audit Committees and the auditors, both external and internal. The presentation made by Ted Sauerbeck, Audit Manager, from the Florida Auditor General's office summarized their audit services for the state's universities and community colleges. Mr. Sauerbeck emphasized the priority of legislatively required audits and potential delay in the issuance of university financial audits. Trustees Brown and Warrington commented that to exercise effective financial oversight, the BOT audit committee should insist on obtaining timely financial audits and if the Auditor General's resources prohibit them to provide this, the audit committee should evaluate alternative sourcing options. Trustee Merkel noted she would contact the Auditor General's office to discuss the timing issue.

Nur updated the Committee on the Fiscal Certification program initiated by the Human Resources Office and the internal control training and self assessment questionnaires developed in partnership with the Office of Audit and Compliance Review and the Office of the University Controller. The first session scheduled for December 6, 2006 has one hundred attendees registered. Sessions for February and March have also been scheduled. This proactive approach to improve campus internal control environment was applauded and endorsed by the members of the audit committee.

Marc Hoit, Interim CIO, presented an overview of the IT security efforts at the university. IT security is a risk management process balancing data loss, financial loss and loss of reputation against the cost to implement and productivity loss due to security restrictions. UF uses a multi-pronged approach consisting of: IT security governance (committees, policies and guidelines), monitoring and enforcement, and training and awareness. Marc noted there is close cooperation with the UF privacy office. Computers, data storage and access, and network access have policies and implementations which provide strong security for major assets. A recent Student Data Security Task Force provided recommendations for efforts to improve areas related to the distributed IT environment. One of the areas to improve involves portable data (laptops and flash drives). Continued and improved training and awareness is the largest need in order to help faculty, staff and students understand their responsibilities and options to keep data safe.

Trustee Merkel reported that she had reviewed the status of investigations reviewed by the Office of Audit and Compliance Review noting that nothing was of the nature to report to the full Committee.

Trustee Fernandez delivered the report on the Committee on Educational Policy and Strategy. He noted that Trustee Boyles and Wright were present and that Trustee O'Connell arrived later in the meeting. Trustee Fernandez reported that the action items included the approval of minutes, tenure upon hire, student health activity and service fees, joint degree program were approved and the motion was passed. The committee briefly discussed the alternative admission models and the Provost informed the committee that Dr. Zina Evans, Assistant Provost and Director of Admissions, is working with a committee to look at various models with UF data to see if a similar type program could work for UF. Dr. Fouke also mentioned that UF has received 18,000 applications to date compared 15,300 at this time last year. Early decision letters will be sent about December 8th. There were 5,000 early decision applications compared to 4,500 last year.

Next the student government tuition survey was discussed. Trustee Boyles went over the survey results. Overall, there were four areas for which students would support having tuition increase. Over 60% of those surveyed would support the increase going towards more course offerings, financial aid, smaller class sizes, and additional hires. Of those surveyed, 54-55% of out-of-state students replied that no tuition rate increase would be acceptable. 35% of in-state students replied that no tuition rate increase would be acceptable. About 331 out-of-state students took the survey. Overall, the students would not support block tuition.

Next Trustees Boyles and Wright discussed the pros and cons of minus grades. The faculty are very supportive while the students are not and passed a resolution against minus grades in the Student Senate earlier this week. It will go before the Faculty Senate where Trustee Wright has asked four students to speak – two students to speak against minus grades and two to speak supporting minus grades. Dr. Fouke noted that if it passes the Senate the President will make the final decision. Continuing the discussion items, Dr. Fouke informed the committee that under the advice of the General Counsel, the name for the Academic Enhancement Program will be called the Academic Infrastructure Fee. Trustee Boyles commented that the students are very supportive of the program and passed a resolution with only about four senators not supporting which gave over 90% conditional support. Trustee Wright said she would get a resolution in support of the program from the faculty senate too.

The next topic of discussion was the Student Alcohol Education Requirement. Dr. Telles-Irvin gave statistics on the success of the student alcohol education requirement and its success, as follows: 97% of student shave taken the course, 78% found the quality of the course to be good, 63% reporting that it expanded their knowledge of alcohol use, 85% reported that it would cause them to pay more attention to alcohol use and 35% reported that it would very significantly influence them. There was no new business and the meeting was adjourned.

Trustee Cunningham gave his report of the Committee on External Relations. The Committee approved the minutes as amended. The committee heard an update on the Academic Enhancement Program, with Vice President Adams reporting that the Board of

Governors unanimously approved a motion to establish the program and the UF Student Government adopted a resolution in support of it.

The committee reviewed the government relations legislative agenda and election results. Budget requests were also reviewed and a discussion was held regarding budget forecasting for the upcoming sessions. It was noted that PEKO money will be less this year and that it will be a challenging year.

The committee reviewed election results and new legislative leadership, noting there are many new freshmen members of the Florida House which include four UF graduates. New Florida Congressional members include U.S. Rep. Gus Bilirakis, also a UF graduate. He committee was also informed that the university will be reevaluating its Washington representation in light of the election results.

The communications plan update was reviewed, including the media coverage report, which this quarter included The Wall Street Journal article on academic excellence. This article and other similar articles will be used in recruiting efforts. Chairman Manny Fernandez commented that this article was taken to the board of Governors meeting where the Academic Enhancement Program was approved. Vice President Adams mentioned that a lead education reporter for the New York Times was on campus interviewing Dr. Machen and Chairman Fernandez.

Next reviewed by the committee was the branding update. Chairman Fernandez suggested that the goGatorNation.com website include a button “send to friend” to increase exposure. Associate Vice President Joe Hice reported on the Office of University Relations consolidation efforts of design, photo and video services. Trustee Brown commented that there is still a need to see a consistent UF image on all printed materials. Mr. Hice reported the importance of all colleges maintaining their own identity while prominently displaying the new UF logo on all materials appropriately. Trustee O’Connell suggested a mandatory template for all colleges to use. Vice President Adams stated the guidelines will be reexamined and discussed with the committee.

In the absence of Trustee Dianna Morgan, Trustee Roland Daniels delivered the report on the Committee on Finance and Facilities. He noted the minutes were approved as presented. Trustee Daniels reported that the requests to name the softball stadium the Katie Seahole Pressly Stadium; the Warrington College of Business’ Center for Public Policy Research; and the Robert F. Lanzillotti Center were approved as recommended. The proposed changes to the Investment Policy and the revisions to the Internal Operating Memorandum 02-4 were approved by the committee.

Athletic Director Jeremy Foley provided the committee with an update on the UAA facility renovations including the expansion of the football coaches’ offices, the weight room, the Gator Room and the lobby. Mr. Foley will provide the committee with further updates on the progress of this project.

The committee then reviewed the Quarterly Financial Report as of September 30, 2006. The committee asked that the staff provide them at the next meeting with an analysis of the cost and effort expended to provide fully accrued quarterly financial reports. The draft Annual Financial Report as of June 30, 2006, was then reviewed. Trustee Merkel reported that at the Board of Governors Audit Committee Workshop, the Auditor General reported that their audit of the university's annual financial Report was underway, but issuance of their opinion would be delayed due to lack of staff.

The committee was informed the university intends to build a new parking garage and it will be brought to the Board at a future meeting.

The proposed increases in local student fees were submitted to the Committee on Educational Policy and Strategy for approval and were presented to the Finance and Facilities Committee as information.

A construction update was provided by Carol Walker and included the escalation of increased construction costs and assured that the university is doing all that it can in planning to accommodate the expected increase. Vice President Ed Poppell informed us that the university is considering looking at options to reduce costs.

The committee was provided with information regarding the university's recent execution of a climate commitment agreement. Under this agreement, the university has committed to developing a plan to achieve climate neutrality. This committee includes five tangible actions to reduce greenhouse emissions and the university has already accomplished three of the five actions.

Strategic sourcing initiatives are under way at the university and the committee was briefed on these. University spending for five commodities or services is currently being analyzed in order to enable the negotiation of more favorable purchasing contracts. The discussion also talked about the impact it might have on small local businesses with an update at a later time.

Two university employees were recognized: Mr. Dana Simmons of the Physical Plant Division and Mr. Pat Piper of Finance and Accounting, each working for the University for 27 years. Mr. Simmons supervises over 500 employees in the Building Services Department which is responsible for providing custodial and special need services for all facilities on campus. Mr. Piper is the supervisor of the student loan collection office and works to ensure collection of over \$15 million in outstanding student loans in collectible status.

Trustee Warrington asked several questions regarding the responsibilities of the Finance and Facilities Committee. Discussion ensued regarding whether the committee was responsible for reviewing UFICO performance and approving the budgets of Direct Support Organizations. Trustee McGriff explained the Committee on Governance was reviewing committee responsibilities and would be making recommendations to the Board on this topic.

Trustee McGriff then asked that the committee be provided at their next meeting information regarding the university's past and future budget for IT and PeopleSoft expenditures, and budget to actual information to date, including past loans/borrows from other university units that have assisted in funding IT and the PeopleSoft project.

Trustee McGriff gave the report of the Committee on Governance. He began by noting that Trustee Morgan was absent. Vice President Cavanaugh had provided each member of the committee prior to the meeting with an update of the negotiations with the various labor unions. Vice President Paul Robell presented a summary of the UF Foundation and the Alumni Association and discussed the missions and fund raising results of the Foundation and the services provided. Trustee Powell raised the issue of the relationship between the UF Foundation and the Foundation Board regarding the UFICO as manager of funds for the Foundation. This lead to a conversation about component units, designated directors, audit review, budget review and oversight. The General Counsel's office will address this issue and present ideas at the March meeting. The Presidential assessment and bonus were reviewed. It was decided that the Governance Committee will have a conference call to approve and recommend those full results to the Board. The upcoming retreat was also discussed.

Chairman Fernandez moved to the consent agenda and asked for a motion with all included. Trustee McGriff moved for approval and the motion was approved.

Chairman Fernandez asked for any new business and requests to appear before the Board. There was no new business and Chairman Fernandez asked to take this opportunity to make a few comments about things that are going on at the University of Florida. First, he thanked Governor Bush and the Legislators who have been so supportive and who recognized the University of Florida as an important institution in the State of Florida. He also recognized what the Board of Governors has done on our behalf especially regarding the two centers of excellence approved by the Board of Governors. He continued by saying that the Board of Governors has really stepped up on our behalf and recognized the value that the University of Florida brings to the State of Florida. Chairman Fernandez then mentioned the Academic Enhancement Program, noting that it obviously is the most critical issue faced since 2001. He thinks we have taken some major steps as demonstrated by the unanimous approval by the Board of Governors and the excellent job that John Boyles did in stepping up and being a part of the team. Mr. Fernandez noted that UF's students continue to amaze him.

Chairman Fernandez noted that, concerning the Academic Enhancement Program, important, heavy lifting is about to begin. Not just by this Board. We will all unite and move forward and it will have to include all of the faculty, all of the students, and UF's family and friends. If there is a time to mobilize the Gator Nation, this is it. Without the Academic Enhancement Program, the goals we have set for ourselves are not attainable and we have about 90 days, when the session starts, to really accomplish what we need to. Lastly, Dr. Machen spoke of the College of Liberal Arts and Sciences and Chairman Fernandez made sure that all know we are all concerned and involved and the approach is

a common joint effort to find the resolution for CLAS and make it the place we want it to be. He wanted to publicly recognize the job of our athletic program this year and we are all on our way to Atlanta and we are way above our expectations and have the chance of being 13-1 – a terrific year – please pass along to your team: great job and Go Gators.

With that, Trustee Wright, you wanted to say a few words before a public appearance.

Trustee Wright briefly acknowledged the presence of faculty who are concerned about the way CLAS is evolving. She noted disillusionment with shared governance and slight crisis of faith right now in that practice. She stated if she could identify the one thing, it is that the CLAS issue has been going on for a long time; three years in the making when it was entirely in the hands of the administration. It went on and on for three years and now they acknowledge that faculty needs to participate and that we must hurry. She noted that the faculty needs and appreciates having the time to come up with the right solution on this.

At this time, Chairman Fernandez recognized the public appearance before the Board. The speaker led a discussion regarding the CLAS situation.

Upon completion of the public appearance discussion, Chairman Fernandez adjourned the meeting wishing all safe travels and Go Gators.