



*Board of Trustees
Minutes
March 30, 2007*

A regular meeting of the University of Florida Board of Trustees was held on Friday, March 30, 2007 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, noting the absence of Trustee Danaya Wright.

Mr. Fernandez turned the meeting over to President Machen to deliver the President's report. Dr. Machen first noted that this was Trustee John Boyles' last meeting and commented he didn't believe we had a better statesman than John and what he has done for this university and that it was reassuring that John's treasurer Ryan Moseley had been elected as President. Dr. Machen stated that Dr. Telles-Irvin's office has used the pattern of the last two championship games to set up the O'Connell Center for those in Gainesville and worked closely with the city and UF to coordinate a great celebration. He mentioned that classes would be held on Monday and asked faculty to be sensitive. Dr. Machen reminded everyone that Gator Day is April 11th and that Bob Villa (a Gator) and his wife will be there as special guests. He believed there would be a briefing the day before of the issues.

With regard to the campaign, Dr. Machen noted that as of February 28th there is a commitment of \$360M, over \$17M ahead of last year and the public kickoff will be September 28th. May 18th is a volunteer retreat in Orland for volunteers working on the campaign.

Our leadership team continues to evolve with Dr. Bruce Kone signing on as new Dean of the College of Medicine, Dr. Hank Frierson as new Dean of the Graduate School, Dr. George Madison as Assistant Provost of Undergraduate Studies, and new Dean of Libraries, Jean Russell, who will join us May 1st.

Human Resources will move in April to its newly renovated building and will house the entire Human Resources operation, relocating 90 employees from on campus into a consolidated operation and will increase the efficiency and effectiveness – a great tribute to Kyle.

An update on CLAS budget. Last Fall the 5 year plan was created and with the understanding they would be in the black after 3 years. We projected a deficient this year of over \$4M and last week we have information from Glover the deficient will be less than \$3 ½ M. We are projected to be in the black by 2009. We have assisted them with start up packages for recruitments. This should take care of their hiring needs through June of 2008 and are pleased to see this turn around. The Department Chair is developing strategic plans – a level of coordination that has not occurred there for some time. Basically the message is the plan is evolving and the leadership is doing an outstanding job and is quite pleased with the situation.

The Cancer hospital broke ground on September 11th and we have had several new hired in the College of Medicine focusing on oncology for our hospital which is scheduled to open in 2009.

This weekend is the dance marathon to raise money for the Children's Miracle Network.

Lastly, an observation I'd like to end with. Each time the Board comes together I am reminded of how and why this great university exists. Sometimes it gets lost as we hurry about doing the university's business and I think we need to stop and remember. This university was created to serve the people of the State of Florida by the Legislature and operates today on behalf of the State. The university has grown and now serves the nation and indeed the entire world. The Board, on behalf of the people of this State, is the final authority on what happens at this university. The administration and the faculty and staff work for the university and the Board, in their wisdom, develops the responsibility of these groups. It is the Board that approves all new programs for the university. They are the ones who authorize the budget, which makes it possible to operate this university and they are the ones who authorize all of the honorary degrees to the university. We need to always recognize that we work for the people of the State of Florida and we need to appreciate that it is a privilege to serve this nation and this state.

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.

The first item discussed was the Quality Assessment Review (QAR) Report that had been previously distributed. Trustee Warrington commented that the conclusions validated the OACR's effective contribution to the University and the outstanding reputation, professionalism and high standards of the Chief Audit Executive, Nur Erencuc, and her staff. The QAR committee was headed by Steven Jung, Stanford's University's Executive Director of Internal audit and Institutional Compliance, who

participated telephonically, allowing committee members an opportunity to discuss the QAR directly with him.

After the approval of the November 30, 2006 meeting minutes, the consent agenda item 5.2, Audited financial reports of direct support and other affiliated organizations was discussed and accepted for full Board approval. Trustee Brown suggested that it would be appropriate for the Finance Committee to review overall insurance coverage for the University.

Nur provided an update on the implementation status of the Compliance Hotline which became operational in January 2007. Responding to a QAR recommendation regarding Enterprise-wide Risk Assessment, Nur reported on her initiative of involving deans and department chairs in the identification and assessments of risks and controls which will contribute to the three year audit plan.

As a follow-up to a November 2006 Board of Governors audit workshop, the State Universities Audit Council (SUAC) issued a "white paper" outlining best practices for audit committees and internal auditors. Earlier in the day, Nur presented the white paper on behalf of SUAC to the BOG. With further discussion, the BOG may adopt these practices system-wide. Nur was charged to identify practice variances at UF that would have to be evaluated or justified.

Phil Ciano, Office of Auditor General, discussed reports issued by his office during the year, noting that the operational audit for the current fiscal year is underway. Phil confirmed his understanding of advising the committee through communication with the Chair or Nur of significant issues arising from his audits. The committee thanked Phil for his responsiveness in expediting the issuance of the financial audit, noting that he expects further timing improvement next year.

The Committee discussed the audited financial statements and annual report for the year ended June 30, 2006 and accepted such report for approval by the full Board. Trustee Brown requested a quarterly litigation status report from the General Counsel.

The Chairman reported that she had reviewed the investigations log and had nothing to bring to the attention of the committee.

Trustee Alfonso gave his report on the Committee on Educational Policy and Strategy. The minutes of the November 8 and November 30, 2006 were approved. The committee approved the Tenure upon hire, University of Florida Regulations and Housing Rental Rates. The Committee then approved the degree changes.

Early Decision was discussed. Dr. Telles-Irvin updated the committee on Florida Opportunity Scholars noting there are currently 445 participants in the program with a 99% retention rate from Fall to Spring. Also, of the incoming class, there are 120 more students eligible. She also mentioned a bill in the Senate to ask for \$13M for all universities and instead of a one-to-one dollar match, it proposed a 3:1 match as well as

carry forward of funds to enhance the program. Dr. Telles-Irvin informed the committee that it was not looking too likely that the bill would pass.

Trustee Alfonso also discussed the strategic work plan edits and that he would like to recommend to the full board to move to adopt this version.

Trustee Boyles introduced Student Body President-Elect Ryan Moseley to the committee.

Trustee Courtney Cunningham presented the report of the External Relations Committee and noted the attendance of Carlos Alfonso, David Brown, Cynthia O'Connell and Earl Powell. He continued by noting the approval of the minutes and that the committee was provided an update on the 2007 legislative session and gave the following highlights: Revenues for FY08 are below initial projections, creating a tight budget climate in the legislature. The House of Representatives and Senate are still marking up their budgets, but to date UF projects are slated to receive \$10 million from the House and the Senate. In many cases, UF projects are in one budget or the other; therefore it is unlikely that the university will receive that amount of funding. Major Gifts funding is \$74 million in the Senate and \$22.5 million in the House. The Senate is considering a change in the enrollment formula that would reward universities for performance in areas such as graduation rates. Under the proposal, UF would see an additional \$5.4 million in enrollment funding. The House and the Senate are both calling for a 5 percent tuition increase.

He stated the UF and USF have partnered to seek additional funding for medical education and with the addition of new medical schools, UF believes that the state should commit to a base level of funding per medical student. Each of the universities with medical schools should receive the same level of per student funding regardless of whether the student attends UF, USF, FSU, FIU, FAU or UCF.

Under this plan, UF would receive an increase of \$18.8 million, which we are requesting be phased in. At this time, funding is uncertain, but the Senate has agreed to proviso language directing the BOG to study the issue.

On the Academic Enhancement Fee, the committee was informed that the bill has passed out of the Senate Higher Education Committee. An amended version, which would reduce the amount of revenue and delay its full implementation, has passed out of the House Postsecondary Committee. Opposition from Prepaid is significant and has generated concern from legislators. We will continue to work on this issue and seek a resolution that will generate as much funding as quickly as possible in order to proceed with hiring faculty and advisors.

The prospect for PECO funding looks positive this year. The House has approved the BOG list, which provides more than \$95 million for UF.

Other Fixed Capital Outlay projects are under consideration. The House has proposed a \$20 million demonstration ethanol plant for IFAS and the Senate is considering funding for a UF facility at Burnham. However, the House does not fully fund the Courtelis Facilities Matching program.

The committee discussed plans for Gator Day before hearing the regular media highlights report. The branding report included information on the in-state advertising campaign, plans to merchandise “UF is the Foundation for the Gator Nation” brand and progress on the new Gator Nation license plate.

An update on the annual research survey showed that UF is headed in the right direction but needs to continue efforts on increasing awareness and that it should focus on research. In addition, the research showed that Floridians place a high level of importance on having a top 10 university.

Senior VP Jimmy Cheek and Dr. Lonnie Ingram presented information on the status of ethanol research at UF and efforts to acquire state and federal funding to support it.

Trustee Dianna Morgan delivered the report on the Committee on Finance and Facilities. She began by noting the meeting was called to order and the minutes were approved. She stated the proposed UF Regulation changes were presented to the committee and approved unanimously. Trustee Morgan reported the consent agenda items for facilities namings was amended to remove a proposed naming of the graduate school of business as “The Hough Graduate School of Business” because it had not completed the university’s internal process of approval in time for the Board to act and would be brought to the Board at the June meeting. With the above change, the following namings were approved unanimously: The to be built new Graduate Studies Building to be named “William R. Hough Hall,” the naming of the Center for Real Estate Studies, “The Kelley A. Bergstrom Center for Real Estate Studies,” the “Blue Cross Blue Shield of Florida Center for Health Care Access, Patient Safety and Quality Outcomes,” and the naming of the plaza at McKethan Stadium “Disney Plaza.”

The Committee then approved the proposed Parking Bond Resolution which authorizes and requests the Board of Governors to approve the issuance of tax-exempt bonds not to exceed \$23M.

The CIP Five Year Plan and Courtelis Matching report was approved by the committee.

The committee was presented with the University of Florida annual Financial report for the fiscal year ended June 30, 2006. The committee expressed their appreciation for an outstanding report.

The committee then reviewed the Quarterly Financial Report as of December 31, 2006. University Controller Mike McKee explained that the data presented for

December 31, 2006 was fully accrued, however, the comparative data as of December 31, 2005 had been prepared on a cash basis. Mr. McKee reported to the committee that the cost to prepare fully accrued quarterly financial reports was approximately \$8,000 per quarter, or \$24,000 per year since for the fourth quarter financials of each fiscal year are already accrued. Mr. McKee said this cost may be reduced in the future by further automating the preparation effort. The committee agreed that the fully accrued quarterly financial report was worth the cost and effort.

The committee was then presented with the Construction Project Status Report. Highlights of the report included the recent opening of the renovated HUB, phase 1 of the Stadium addition, the Emerging Pathogens building is in the design phase, the newly removed Human Resource Services building will be complete in late April and both Steinbrenner and Pugh Hall construction are under way and going well.

The committee was given an update on the pending settlement of the O'Connell Center roof law suit. The university will receive \$280,000 which should provide funding for periodic cleanings of the roof for approximately 10 years.

The university's investment committee met since the last Board meeting and is preparing to begin investing a portion of available university funds with UFICO. The committee will receive additional updates on the university's investing activity.

Vice President Poppell informed the committee that a strategic sourcing initiative by the university would result in lower prices being paid for a number of commodities. Savings to the university as a result of these efforts would be over \$5M in the next several years.

The committee was informed that the College of Health and Human Performance would like to name the Florida Gym the College of Health and Human Performance. While the name would change, the Gymnasium etched in stone on the building would not be removed.

The committee was then provided with information regarding the site of the proposed new parking garage. A minor amendment to the university's master plan will be required as the proposed site is approximately 500 yards from the site currently identified in the master plan.

The committee then discussed several items not on the agenda. A recommendation was made that when future UF regulation changes are presented to the Board for approval a summary of these revisions be prepared. The summary should include information as to the review and approval process that has occurred at the university and should not the committee vote for and against the change recommended. Also discussed were future bond resolutions. The committee would like an executive summary of the resolution and bond information be prepared for their review. The summary would discuss the approvals received, reviews conducted, key financials and the processes followed in preparing the bond resolution and supporting documentation.

The committee asked the university to conduct a risk management review to determine the adequacy of insurance on the university's property, plant and equipment, and report the results of this review to the committee at the next meeting. The committee would also like the General Counsel to periodically update them on any litigation that would be of significance.

The committee then recognized fur university employees for their outstanding service:

Sheri Munn and Linda Cowart are employees of IFAS who worked diligently with FEMA over the last four years to file over \$5.8M of claims for hurricane damage to IFAS facilities. They assumed this task in addition to their day-to-day duties and their efforts helped the university collect from FEMA reimbursements that may not have been paid without their skill and persistence.

Bob Burton is the accountant in Finance and Accounting responsible for the preparation and coordination o the annual financial report and the quarterly financial statements. Bob has been in his position for 19 years, takes great price in his work and is recognized throughout the Florida university system as an expert in financial statement presentation.

Lacy Rabon has worked in the Physical Plant Division at the university since April 23, 1962, 45 years next month. Lacy keeps the heat, air conditioning, steam and control/alarm systems working on this large campus. His knowledge and work help cool the campus facilities in the summer and keep them warm in the winter. His dedication to his job is demonstrated by the fact that he has accumulated over 4,000 hours of unused sick leave during his 45 years of employment.

Trustee Mac McGriff gave his report on the Committee on Governance. He noted all members present. Dean Bob Jerry gave an overview of the University Law Center Association, Inc. which is their DSO. The only consent agenda was the chart which was reviewed in February and was approved by the committee with one additional change. The internal audit should show a direct reporting relationship with the President. Vice President and General Counsel Jamie Keith reviewed the delegation of authority and approval process for each area. It was agreed there are several issues to be resolved. The plan lists entire standards to be reviewed by the committee over the next few weeks and to be circulated and the Governance Committee would review and approve comments from all.

A closed session with Kyle Cavanaugh was held. Kyle provided a complete update on the negotiation activities last week and advised us yesterday that an agreement had been reached with the PBA and includes wages of 06-07 and a modification of time calculated. The Governance Committee recommends this to the board for their approval.

Chairman Fernandez moved to the consent agenda and asked for a motion with all included, removing the The Graduate School of Business to be named "The Hough

Graduate School of Business from Consent Agenda Item 5.9. Trustee Alfonso moved for approval and the motion was approved.

Chairman Fernandez then welcomed Board of Governors' Chair Carolyn Roberts, a great friend of this university.

He then directed the Board's attention to a report by the Pappas Group in their notebooks and requested a motion. Trustee Morgan moved for approval and the motion was approved.

Chairman Fernandez stated it is always a pleasure to do this and always sadness because we have gotten to be very close to the different people that come and sit in the chair of the President of the Student Body. This is our last day for Trustee John Boyles to be at the table but not to come back to visit us. A resolution that I would like to read you and to be entered into the minutes.

He noted this is also Trustee Wright's last meeting and he has a resolution that he will pass along to her.

Chairman Fernandez noted no public appearances.

Chairman Fernandez requested to make a few comments. He began by noting the last time we were together in December we were leaving here to go to Atlanta to bring back some hardware and then we went to the dessert and turned the dessert in the swamp. Everybody is well aware that the faculty senate recent action denying the honorary degree to Governor Bush, who was a steady force behind where UF is today. I think the resolution speaks for all of that. I would like to share my feelings in some of these items. I remember when we first met in 2001 I was on the Educational Policy and Strategy Committee and Dianna Morgan was chairing that Committee and that day was the first issue of faculty – faculty salaries, benefits – how do we continue to attract and retain good faculty at UF? Not only that one meeting element marked what we did just about across every meeting that we have had on Educational Policy. The first issue was the whole issue of how we work with the faculty in shared governance. Charles Young started a process. Former Trustees Briggs and Larson were instrumental in getting us going in that process. In time, we have expanded our issues. At our first retreat we identified that faculty was the number one issue and nothing has changed. It was Dr. Machen's first meeting and since then he has embraced and become the champion behind the whole process and has a tremendous progress that has taken place over the last few years. Not once, twice, but 3 times, this board has approved raises above the state. We approved the new controversial benefit package with the faculty needs in mind. The effort with shared governance has been amazingly enhanced by Pierre Raymond and Tony Brennan and lately with Kim Tanzer and this Board has worked amazing well with all of those toward a common goal. I believe we have done well as a Board in managing to check our egos outside that door and leave behind our own personal agendas and bias that we have had, and done so with a purpose of achieving greatness for the university we so dearly love. We have been a great team. Unfortunately that opinion has been now

marred by a few in the faculty. I believe this has been really harmful and hopefully we can repair this with incoming chair Rick Yost. We know how important this is and is a critical issue with the UF. That program is going to have its due within the next 30 days in Tallahassee. There was some justified skepticism about the chances. We have a good record and last year approved our opportunity scholar and did well on other things. This is a very critical bill that is going to be in Tallahassee this year. Dr. Machen gave you an update of where it stands and I hope we will continue to have the support of Tallahassee to do this. I hope that the faculty senate action that was taken will not have the adverse effect. If this action has done that it will be a travesty.

I have learned a better understanding about how honorary degrees. I have asked Carlos to take it to the committee and to understand how it is done. I have learned that the UF's reputation is strong enough to overcome events like this. I can tell you the number of people who have reaffirmed their support and in fact one was Jeb Bush and he feels we are a great university posed to get even better. I hope we can pass this event with the spirit and grace that we all have and that we do not politicize this process. It is time to move on to play the high road and to make UF the great university it is and should be. I would like to be able to offer Billy and his boys all the best and all of their families in Atlanta and we will see you in June – *Go Gators*.