



*Board of Trustees*

*Minutes*

*September 5, 2008*

A regular meeting of the University of Florida Board of Trustees was held on Friday, September 5, 2008 in President's Room 215B of Emerson Alumni Hall, University of Florida.

Chair Dianna Morgan called the meeting to order at 10:50 a.m. and a quorum was confirmed. Chair Morgan welcomed guests Dean Colson, higher education advisor to Governor Crist and Board of Governors Chair Sheila McDevitt. Ms. Morgan then asked President Machen for the President's report.

Dr. Machen noted that we have already completed two full weeks of classes and announced the following new administrative appointments: Provost Joe Glover, Interim Vice President for Human Resources Paula Fussell; John Wright, Dean of the College of Journalism; Paul D'Anieri, Dean of the College of Liberal Arts and Sciences; Michael Good, Interim Dean of the College of Medicine; Lee Patouillet, Executive Director of the UF Alumni Association; Dr. Joe Simone, Executive Director of the Cancer Center operations, and Chuck Frazier is back with us as Interim Chief Information Officer.

After comparing the numbers of full time with last year, we are down 115 (2.9% drop), much less than anticipated. Differential tuition, after a long awaited startup begins, and brings \$1.8M in new recurring dollars. Over the next 4 years, it

will total \$22M for the purpose of hiring new faculty and academic advisors. The decision for where resources will be allocated will be made by the Provost after input from the deans and student government. We have 6500 new college freshmen – almost the same as a year ago. The Academic qualifications are clearly the best UF has seen with a GPA of 4.18 and SAT scores of 1300; an amazing group of young people. The number of transfers has been reduced by 800 by design, as head count as a result of strategic planning to offset resources by reducing incoming students.

You will hear about UF's long range goals with several initiatives underway with a new financial model. Matt, Kyle, Joe are leading the way and hope to discover and reward entrepreneurial behavior and hope to bring to full action by next year.

We are looking at international study abroad programs. No major university in this century can be comfortable without having a significant presence at the international level. Daniel Wubah talked about developing a signature application and we hope this will lead to improvements ahead.

We had a number of significant challenges – hurricane season. The projected path of Hurricane Ike is an area of significant worry, because of employees and students and the impact on the State of Florida. There is need for some of the state's rainy day funds to bridge the university system, but decisions will not be made until after hurricane season is over. The economic conditions in the state and nation remain difficult.

We have a new search for the Sr. Vice President for Health Affairs, chaired by Win Phillips.

Lastly, a very important issue for the university, one that is bitter sweet. Paul Robell has been a senior administrator for over 21 years and Vice President for 13 years. One of the things we sorted out when I first came was the capital campaign. It was clear he didn't expect to be here through the campaign but he has done the heavy lifting to get the campaign out there with three extraordinary successful years and we are ahead of our goal. I announce today that we are initiating a search for his replacement and he has agreed to a four year transition plan. The good news is that he has committed with me to stay throughout the

campaign and we will establish a search committee later in the fall. It is appropriate at this time to thank Paul for all of his work. That concludes my report.

Chair Morgan requested the reports from the committees. Trustee Joelen Merkel began by noting there were no board consent agenda items at this meeting. After approval of the June 22, 2008 minutes, the meeting, the internal audits were discussed, which covered four IFAS Research and Education Centers, Tax Reporting, the Purchasing Card Program, E-Learning On-Line Course Management System, and the UAA Financial Aid and Scholarships.

Chief Audit Executive Nur Erenguc advised the committee of prospective changes to the follow up report focusing more on open action items with greater risk. Joe Canella led a discussion on the current follow-up results and the committee noted that the area of contracts and grants remained to be an area for further audit coverage.

Nur presented the highlights from the annual report covering resources, operations, client surveys, audits issued, advisory reviews, follow-up, major initiatives and other activities, followed by a detailed discussion. Responding to the University's efforts to reduce printed material, this will be the first year that the annual report and the quarterly newsletters will be electronically distributed.

Brian Mikell presented the changes to the annual audit plan which reflected a decrease in available hours due to staff reduction and vacancies. Rather than eliminating planned audits, the approach primarily has been a reduction in budgeted hours per project with increased focus on high risks. The committee accepted the revised audit work plan.

Phil Ciano of the Office of the Auditor General updated the committee on the status of audits underway by his office. He confirmed that the issuance of the University's financial audit for 2008 was on schedule for January 2009 and noted that additional work will be performed as a follow-up on the prior year's audit comment regarding contract and grant receivable. He also reported that the financial aid audit was virtually completed with no issues to report to the committee. The federal research audit is still under way with completion expected within the next few months. The annual Bright Futures audit has not yet started.

The chair reported to the committee that she had reviewed the complaint log maintained by the Office of Audit and Compliance Review with nothing to report to the committee.

Next, Trustee Mac McGriff gave the report of the Committee on Educational Policy and Strategy on behalf of Trustee O'Connell. The full committee was present with Trustee O'Connell via telephone. The committee approved the three tenure upon hire cases and the termination of the Master's degrees in Agricultural Education and Communications, Soil and Water Sciences, Animal Sciences, Botany, and Food and Resource Economics.

Additionally, the committee approved two fees for the consent agenda: Baby Gator Fees were increased for 2008-2009 as indicated in the board materials, and the Renewable Energy Fee.

All regulation amendments were approved and are being presented to the board for the consent agenda

The committee heard two presentations. Karen Fooks presented on Student Financial Affairs. Zina Evans presented information regarding the entering freshmen class and tied some of this into the discussion on financial aid.

Finally, the committee discussed receiving the final draft of the Student Conduct Code and Honor Code Regulations. A conference call will be set up next week for the committee review and recommendation to the full board.

Trustee Carlos Alfonso presented the report for the Committee on External Relations. The meeting began with the introduction of Lee Patouillet, the new executive director of the UF Alumni Association, who discussed ways an alumni association can support the university, including promoting government relations, improving student life, generating scholarship aid and providing career planning.

Next the committee heard a presentation on a program to generate support for the university's legislative agenda, with email lists of Alumni Association members, Foundation board members, donors and other friends of the university being compiled and to be used to recruit Gators to join a grassroots network. Trustee Daniels suggested text messaging be used to communicate with grassroots members. Trustee Ponce led a discussion on the advantages of personal contacts

with legislators versus letters and emails and the committee recommended both be used. Trustee Reilly suggested involving students and Trustee Cunningham said videos of the President discussing the legislative agenda may be useful. Chair Alfonso commented that the program is a priority of the committee and that further updates will be provided at future meetings.

The committee received an update on the university's print to electronic communications initiative. To date, approximately 165 publications have been converted from print to electronic deliver, resulting in a savings of \$1.06M. Postage and mailing procedures are being added to the "Think Before You Ink" internal public relations program.

The new brand campaign was unveiled to the committee. "Remember when you became a Gator" is the theme and will feature a new television commercial, print ads and public relations effort. The new spot will be launched during the Florida v. Georgia football game.

The GoGatorNation.com website will be renamed, "Inside The Gator Nation" and will be enhanced with short videos from students, alumni and friends about their recollections of the moment they became a Gator.

The committee received an update on the university's news and media relations efforts, including a presentation on how University Relations is enhancing its approach to "new media" outlets and the wire services.

Trustee Warrington presented the report for the Committee on Finance and Facilities and noted the action items presented to the committee were the proposed namings of the NCEF Pediatric Dental Center, the Douglas Williams Executive Health Center Program (a non-consent agenda item requiring Board of Trustees approval in compliance with Board of Governor's regulations), and the proposed amendments to the Operating Budget for 2008-09.

Vice President Poppell provided the committee with a utilities update and stated that taking into account the upcoming increases in electricity, steam, water and natural gas, the University's E&G shortfall for utilities funding will be approximately \$10M. The University will work to obtain additional funding from the state to address this shortfall.

The committee also approved the 2009-10 Capital Improvement Program (CIP).

Next, discussion items were brought before the committee. Assistant Vice President Carol Walker briefed the committee on the status of construction projects, and noted projects going forward with no significant issues. The current status of funding for the University's review of St. Augustine facilities was discussed and noted that at this time, the extent of funding has been \$300,000 for planning with a report due February 1, 2009.

An update on the status of the Courtelis Facilities Enhancement Challenge Grant was provided. Construction of Hough Hall will begin in January and the Harm Museum addition in February. Construction will be funded for both projects by using the donor's contribution first. Once the funds are expended the University will borrow additional funds to continue the construction.

CFO Matt Fajack updated the committee on the current budget status of the State. For the 2008-09 fiscal year, the state is expecting a revenue shortfall of approximately \$2 billion in general revenue and \$75M in lottery funds. Another cut in this year's state funding may occur. The State University System is asking the Governor and legislature to consider using the State's rainy day fund to avoid mid-year budget cuts.

The financial reports of June 30, 2008 was reviewed by the committee and no questions were forthcoming.

Vice President Poppell informed the committee that Direct Support Organization budgets were due on August 29<sup>th</sup>. Three organizations have not submitted their budgets at this time. All other budgets have been received and are undergoing review. At the next committee meeting a report on the result of the budget reviews will be provided.

Linda Dixon presented a summary of changes made to the 2005-15 Master Plan. The changes did not trigger any thresholds requiring public hearings or interagency review. The changes were minor amendments to maps, text and the capital improvement element of the plan.

University employees Jim Crocker of the Division of Housing and Residence Education and the Surplus Property Warehouse Team, comprised of Bill Hedges, Vincent McCray, Mark Davis, David Dykes and Rick Rembert, were presented to the committee for recognition of their dedicated service to campus. All were commended by the committee for their loyalty and tireless efforts on behalf of the University.

Trustee Powell delivered the report for the Committee on Governance. The committee reviewed President Machen's long range goals which were included in the materials delivered to you for today's meeting. We discussed whether one of these goals should be to focus on a plan to increase the number of undergraduate students graduating within four years. President Machen outlined the complexity of and factors affecting time to graduate, including the affect of the Bright Futures Program. The committee concurred that the President should work on this issue but it is not ripe as a goal.

The committee also discussed the goal for implementation of the differential tuition program. The goal was slightly revised to state "Implement differential tuition plan to increase faculty hires in order to reduce class sizes for undergraduates." With this one modification the committee unanimously recommends that the Board approve the President's long term goals in your board materials.

Vice Chair McGriff gave us a status report on the project to revise the organizational documents of the affiliated organizations to implement the Board's principles for the governance of the affiliated organizations. There are a few entities that Mr. McGriff is working with to resolve their concerns and he expects to have these resolved in the near future.

Vice President and General Counsel Jamie Keith gave us a status report on the Board of Governors' proposal to adopt a regulation concerning powers and duties of the Board of Governors and the state universities Board of Trustees. The proposal is being revised presently. She said that a number of issues had been resolved and are being resolved through collaborative discussion between the universities' and the Board of Governors' counsels and staff. The process is ongoing in a deliberative and collaborative manner. Ultimately the Board of

Governors and the Board of Trustees will discuss issues relating to appropriate roles for the BOG and BOTs so that each can continue to make constructive contributions to the State University System and Universities.

The committee then met in closed session to receive an update on collective bargaining negotiations from Sr. Vice President for Administration Kyle Cavanaugh. Based on this report the Governance Committee recommends inclusion on the Consent Agenda of the full Board of Trustees approval of the negotiated terms for the Florida Police Benevolent Association and American Federation of State, County and Municipal Employees contracts.

Trustee McGriff reported on the Committee on Resources. Vice President Paul Robell provided an update on the Capital Campaign reporting that the campaign total through 8/31/08 was in excess of \$738M; the campaign had a record high in August of \$34,429,026 (a 49% increase over last August); the campaign remains on track for the \$1.5 billion target; and one area of concentration remains significant gifts of over \$50M.

Mike Smith, Chief Investment Officer for UFICO provided the committee an update on the endowments. He reported that UFICO remains modestly staffed but has recently added one FTE; the endowment has now reached the planned asset allocation across Private Investments, Hedged Strategies, Global Equity, Fixed Income, Opportunistic and Cash; UFICO has produced a 10.21% Inception to Date return which has out performed all other UF investments; UFICO out performed all other SEC schools during fiscal year 2008; and UFICO is establishing a Long-Term Equity Pool which should provide a consistent investment opportunity for other UF entities controlled assets.

Kyle Cavanaugh, Sr. Vice President for Administration provided the committee with an update on the ongoing work of the various revenue enhancement and cost reduction activities. Mr. Cavanaugh reported that the new revenue from the transcript charge has now exceeded over \$300,000 year to date and is averaging approximately \$50,000 per month and that orders for transcripts have dropped by over 50% since the charge became effective. He stated that efforts continue regarding encouraging graduate students to establish in state residency and that the fall data will be reviewed at the upcoming meeting. He

spoke of the other cost reduction initiatives that were reviewed and noted the savings are being retained locally. These include: (1) eProcurement, -- allows for higher compliance with negotiated contracts and further discounts with vendors. New software has been purchased and installed and the new system called myUFL Market is planned for an early 2009 Go Live. (2) Vehicle Management – A fleet and maintenance component and to date, the fleet has been reduced by 51 vehicles with a savings of approximately 200,000. (3) Direct Deposit – This initiative went live in May. As of the last pay period, there has been a substantial reduction in paper checks. An August pay period in 2007 had 1,685 checks and the same period in 2008 resulted in 195 checks. (4) Print Reduction – The integrated print reduction initiative continues which includes the consolidation of print vendors, print to electronic conversion, Simply Copy Management Plan, and Manage the daily mail. All together, these print initiatives have the potential to generate nearly \$1M. The committee is pleased with the efforts to date and encourage the campus to continue its efforts.

Finally, the committee discussed the need for the state to utilize rainy day funds to provide transition for this year and, for the University to consider a more programmatic approach versus an across the board approach to reductions if future budget reductions are required.

Chair Morgan then turned the Board's attention to the consent agenda and noted the addition of collective bargaining agreements for the PBA and AFSCME and the removal of the student conduct regulations to be voted on in a future meeting. With the removal of these items, the consent agenda was approved by the Board of Trustees.

Chair Morgan then asked for any new business or public appearances and, hearing none, proceeded with her comments. She noted a most enjoyable day in August when she was able to join Ed Poppell, Brian Beach, Linda Stump, Patricia Telles-Irvin and others in distributing water to students moving into residence halls, with help from families. It was a heart warming experience to welcome these families to campus and she encouraged more trustees to participate and think of other things we can do to roll out the welcome mat. Thanks to all of you. Since our last meeting, we had the Board of Governor's workshop hosted by the University of North Florida. We had a great delegation including Dr. Machen and

members of our administrative staff. We spoke with other trustees from the other universities.

The workshops always feature an economic forecast and the presenter had a wonderful way of condensing the situation. His words are worth recalling to you. He noted three different couplets to describe higher education in Florida as we manage our challenges. The first is the relationship between funding and accountability. The next is the relationship between tuition increases and financial aid. And the third is the balance between system governance and institutional independence and how do we create a system for our various universities while still pushing down as much authority as possible to our BOTs. She stated that we face four operating principles going forward – continue to improve our cost controls and continue to work to find savings and be more efficient; to continue to be a strong voice and advocate for higher tuition and using the tuition differential and continue to push and explore. Expect more calls for higher and greater accountability as our tuition increases and we work harder to continue our public mission and research to economic growth and becoming more vocal in our economic benefits that we bring.

She concluded with reminders regarding great Gator achievements. In about 5 days the proton accelerator in Geneva, Switzerland will be switched on. Our UF Department of Physics has played an important role. Note that UF was ranked 7 on Sierra Club's list of schools – for policies, energy, investment, sustainability. And, finally, rankings. We maintained our position in US news World Report; it is something to be noted simply because given our budget restraints, we didn't fall. Our College of Engineering rose in the rankings. Congrats to all of our staff and students and everyone who is working so hard in these difficult conditions.

UF is losing a dear friend of students in Gene Zdziarski and we must say goodbye to you and thank you for how you have served this university and the students so well. He is a popular guy on campus and the board thanks you as you become Vice President of Student Affairs at Roanoke College and the board and administration wishes you well.

With that, thank you – and Go Gators.