

**UF** | UNIVERSITY of  
**FLORIDA**  
*The Foundation for The Gator Nation*

*Board of Trustees*

*Minutes*

*December 8, 2008*

A regular meeting of the University of Florida Board of Trustees was held on Monday, December 8, 2008 in 215B of Emerson Alumni Hall.

The meeting was called to order by Chair Dianna Morgan at 1:48 and a quorum was confirmed. Ms. Morgan asked President Machen for the President's report.

Dr. Machen stated the campus holiday season began last night with the annual Sounds of the Season and that classes end December 20<sup>th</sup>. He noted the recognition of Manny Fernandez at the upcoming graduation ceremony. He continued by stating it's been quite a year for the University with fiscal challenges being managed with dignity and with attention to important programs. He noted the amount of funds surrendered were significant and believes the University will experience more years of financial difficulties. The University will shut down on 12/25 and stay closed until after the first of the year, resulting in anticipated savings of \$100,000. There are approximately 50,000 students who expect a full load of classes in January and he spoke of the difficulty of making cuts without impacting students and programs. The deans, faculty, and program directors are being counted on to make wise budget decisions.

Dr. Machen publicly acknowledged Governor Crist for his vision regarding the tuition program. The increased tuition revenue is critical to making longer term plans. The Governor's plan requires the equivalent of 30% of the tuition increase to be set aside for need-based financial aid for students who qualify. All of you are needed to help marshal this program through the Legislature the next session. If you have the opportunity, let the Governor know you appreciate his leadership.

We have had some recent tragedies noting that today at 3:00 a funeral will be held for a university student who was critically injured when he was hit by a car riding his scooter. That

same night, a student committed suicide. All of this reminds us that this is an emotional time. Students need special care and attention as they go through final exams.

Lastly, three senior staff will be leaving us. Nur Erenguc who is leaving the Chief Audit Executive position; Jimmy Cheek, who has been stellar and is certainly well qualified, to be Chancellor at the University of Tennessee; Kyle Cavanaugh is going to Duke as Vice President of Human Resources. Kyle has made a big impact while here. We hope they will all remember they are Gators.

Chair Morgan asked for the committee reports.

Trustee Joelen Merkel began with the report of the Audit and Operations Review Committee. She recognized Nur Erenguc's contributions to the Audit committee for over 7.5 years and thanked her for her contributions to the University's internal control environment. After the approval of the minutes of the September 4, 2008 meeting, Brian Beach updated the committee regarding the status of recruitment activities for Chief Audit Executive and noted a target date of early January 2009 for hiring the new Chief Audit executive.

Next, internal audits were discussed for the University of Florida Performing Arts and University of Florida Foundation Travel and Entertainment Audits. Nur commented that the more significant comments were in process of being addressed by the UF Performing Arts. The quarterly follow-up review results were discussed. A discussion ensued regarding the "not fully implemented" comment regarding the Indirect Cost Recovery audit. Dr. Tom Walsh, Sponsored Research compliance Officer and Barbara Wingo, Deputy General Counsel, responded affirmatively that the additional communication and reporting initiated in response to the audit appropriately addressed the compliance concerns.

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. He stated that they are further evaluating the results of their procedures but did not have anything to report at this time. He also announced the planning of operational audit of the University for 2008-2009. Bright Futures audit is being completed for issuance in March 2009. Phil reported that the federal financial assistance audits are nearing completion with prior year findings resolved.

Bob Miller, as the Chair of Sarbanes Oxley Committee, provided a summary of initiatives completed by the University since its inception in 2005 and led a discussion on further implementation of certification of controls at the unit level.

Nur reported that she and Jamie Keith have been working on generating drafts of charters for the Audit committee and the Office of Inspector General of the Board of Governors.

The committee discussed the audit reports for the direct support and affiliated organizations noting that the recap of comments needed to be expanded to include current year findings in addition to those that were repeat findings. The committee also directed the Office of Audit and Compliance Review to monitor the implementation of responses to these findings.

Mrs. Morgan 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 was the report for the Educational Policy and Strategy Committee presented by Trustee Cynthia O'Connell. Mrs. O'Connell began by noting all consent agenda items were approved: Fees proposed for yearly increases for 2009-10 (Activity and service Fee - \$0.49 per credit hour increase; Student Health Fee, \$0.60 per credit hour increase, of which \$0.17 will go to the UF Counseling Center for additional counselors; Transportation Fee - \$0.68 per credit hour increase; no athlete fee increases were requested; the 2009-10 activity and service fee of \$10.65 per credit hour, the student health fee of \$10.49 per credit hour, the transportation access fee of \$6.79 per credit hour and the athletic fee of \$1.90 per credit hour); Mid-year housing rental rates increase \$10 per month; the proposal by University Press of Florida for Academic Infrastructure Service Organization.

The committee received an update on the administrative transitions. Trustee Scott is on the search committee of the Senior VP for Health Affairs and the committee expects to meet next month to review candidates. Interim Deans of Medicine and Public Health and Health Professions searches will commence as soon as the Sr. VP Health Affairs is able to contribute to the searches. The search for the Dean of Engineering has begun and Dr. Glover will meet with the college council this month to discuss the process and a search committee will be named shortly.

An update was given to the committee on the Student Conduct Code/Chancellor as well as the Undergraduate Curriculum Task Force, both of which seem to be moving forward.

Finally, the committee received an update on admissions. Currently, close to 25,000 applications have been received. Even though the deadline was November 1<sup>st</sup>, approximately 37 applications a week are being received. Decisions will be sent out February 13<sup>th</sup> by email.

Trustee Alfonso provided the report of the Committee on External Relations. After approval of the September 4, 2008 minutes, the meeting began with an update on the university's grassroots effort, Gators for Higher Education. Staff members have researched and benchmarked other programs, retained a software vendor and are designing a website to be available in January. Presentations promoting the program have been made to groups including the Alumni Association Board of Directors, the Foundation Board, regional advisory committees, college advisory committees and the Government Relations Advisory Committee. The program has also been publicized in publications of the Alumni Association, which is

partnering with UF government relations on the effort. Committee members discussed aspects of the website, including a connectivity feature and use of video.

A smaller group of Gators has been formed to complement the website program. Organized in seven regions, these groups will also work with legislators to communicate UF's legislative agenda.

The committee was briefed on additional governmental relations developments, including newly elected officials, state revenue shortfalls and our legislative agenda. That agenda includes passage of the Governor's tuition increase proposal, College of Medicine funding, PECO funding and the continuation of the Major Gifts program. Committee members suggested seeking funding for St. Augustine in any upcoming federal stimulus packages.

The new phase of the branding campaign, "When Did You Become a Gator" was presented to the committee members. They saw the new television spots and ads and were briefed on the accompanying public relations campaign that encourages Gators to video tape their stories of when they became Gators. To date, more than 200 people, including several soldiers in Iraq, have videotaped their experiences. An additional 100 people used UF's mobile TV studio to tell their stories this weekend in Atlanta at the SEC championship. Committee members discussed highlighting UF accomplishments in future spots.

Committee members were updated on changes in the way UF handles media relations to maximize coverage in news media. In addition, they received a briefing on a public information campaign to help reduce the number of students who are injured during football weekends. The campaign called Gator Watch, was implemented at the time of the South Carolina game, and injuries that weekend were the lowest of the season.

The committee discussed potential public relations opportunities for the upcoming BCS National Championship Game, including an alumni street party and a volunteer project.

Next, Trustee Al Warrington presented the report of the Committee on Finance and Facilities. The minutes of the August 28, 2008 conference call and the September 4, 2008 meeting were approved with the request that the September 4<sup>th</sup> minutes be revised to remove reference to the legislative session in which matching dollars might be provided by the legislature.

Action items were presented to the committee. The proposed renaming of the Shimberg Center for Affordable Housing to the Shimberg Center for Housing Studies and the proposed revision to the Board of Trustees Investment Policy were unanimously approved. The committee requested that the policy emphasize the investment objective of optimization of investment income being secondary to the requirements for safety and liquidity.

The committee then addressed the proposed revisions to Internal Operating Memorandum #02-03 Development of Facility Programs. The committee discussed the University's process for determination of whether to renovate or demolish existing facilities and the time frames for such determinations and voted unanimously to approve the revision to the Internal Operating Memorandum.

The amendments to 2009/2010 PECO/Challenge Grant Projects were then reviewed and approved unanimously by the committee.

The final action agenda item was a request for approval of amendment to the University's budget. An amendment was necessary to reflect increased IFAS Trust Fund Revenues from carry forward funds of \$132,000, and an increase in General Revenue Appropriations of \$15 Million, provided for the Florida Energy System Consortium. The budget amendment was approved unanimously.

The committee then moved to the Discussion/Informational Items on the agenda. A construction update was provided. Highlights included the completion of the Naples Dental Clinic, the dedication of the Steinbrenner Band Hall, and the recent ground breaking for the Veterinary Medicine Small Animal Hospital. The committee requested that future updates provide a comparison of the final cost to the project budget when projects are completed.

The Financial Report as of September 30, 2008, was presented and an update of utility cost estimates for the remainder of the fiscal year was also provided to the committee.

The committee was then presented with information regarding the strategic plan for the St. Augustine Historical Area. Potential funding for a new Interpretive Center in St. Augustine was discussed with possible participation by both state and federal governments. The final report of the strategic plan is due in Tallahassee in February 2009 and the committee will be provided with copies once the report is complete.

The committee was then provided with an update of the most recent general revenue/lottery estimating conferences that will be held in Tallahassee. Projected revenues continue to be decreased by the estimating committee for both fiscal years 2008/2009 and 2009/2010.

Two University employees were introduced for recognition of their service. Dale Bivens of the Physical Plant Division is an Electrical Supervisor with over 25 years of employment at the University. Greg Streukens is a Sergeant with the University Police Department, who recently prevented a suicide.

The report of the Committee on Governance was presented by Trustee Mac McGriff in the absence of Chair Powell. The committee approved the minutes from the September meeting and removed from the agenda GV3 on Shands holding company and noted it will be moved to

the next meeting. Chair Morgan summarized the trustees' positive evaluation of the President for 2007-08, with great progress being made in all areas. The committee then considered the President's short and long term goals for the 2007-08 and approved bonuses based on these short and long-term goals. Trustees Alfonso and McGriff commended President Machen on doing a great job at a very tough economic time. All short-term goals were met but one. The one exception is the research goal, with new research awards, which were heavily affected by state funding cuts, falling short of the goal by 3.6%. However, it was recognized that contracts and grants applications and expenditures are up which indicate a healthy research enterprise. Long-term goals were largely met, with achievement of goals for scholarship support, faculty support, Humanities faculty hiring and faculty diversity being particularly notable. After the members of the committee expressed support for the President's bonuses based on long-term goals, Trustee Scott noted that President Machen's persistent focus on and achievement of goals that support faculty and students needs to be recognized. The Board is directed to Resolution R08-51, GV2, which the committee recommends to the Board for its approval on the Consent Agenda. The approval of Chair Morgan's positive summary of the President's evaluation based on long-term goals are inserted in the Resolution, with payment to be made in December 2008.

The committee then reviewed and approved 2008-09 short-term goals for the President. The 2008-09 long-term goals were approved at the Board's September meeting, however, the data for the short-term goals were not yet available at that time. The Board has the executive summary and the proposed short-term goals under GV1. The short-term goals are on the first tab/page of the goal sheets, and the already approved long-term goals are on the second. The committee recommends these 2008-09 short-term goals for the President to the Board for its approval on the Consent Agenda.

The committee then discussed two matters that do not require Board action. An update was provided on DSO bylaws amendments to implement Board-approved principles. By the end of this month, 17 of the affiliated organizations will have adopted their amendments and the remainder will be doing so shortly after the first of the year. Mike Ford of the General Counsel's Office is commended for his assistance in this effort.

General Counsel Jamie Lewis Keith then updated the committee on the Board of Governor's proposed Board of Trustees powers and duties regulation and newly proposed Board of Governor's audit committee and inspector general charters.

The committee then conducted an executive session to discuss collective bargaining and current negotiations with all unions were reviewed.

Trustee McGriff reported on the Committee on Resources. Senior Vice President for Health Affairs Doug Barrett presented to the committee information regarding the faculty practice plans. Dr. Barrett summarized the three missions of the College of Medicine: education, research, and clinical. There are two campuses, Gainesville and Jacksonville, each

with different revenue mixes and, therefore, somewhat different missions. The Gainesville campus achieves net revenue of approximately \$540M per year, with 988 faculty. About half of its budget is derived from clinical activities. The Jacksonville campus achieves approximately \$220M net revenue, with 370 faculty. About 95% of its budget is derived from clinical activities.

State revenues only represent about 5% of the budget of each after a significant decrease in 2005.

Contracts and grants activity is up, with some credit given to faculty incentive plans in connection with research.

Since 2003, the College of Medicine has utilized several consultants in the areas of business process improvement/efficiencies and faculty productivity. The results of the work were summarized in the form of several key benchmarks. For example, cash on hand for both campuses was near the median for the national college of medicine benchmarks. Net income margin for Gainesville is near the median for the national benchmark, while Jacksonville is somewhat below at -5.1%. The Jacksonville margin is largely explained by a significant Medicaid payment received late that year, as well as significant investment in capital. Were the margins based on accrual accounting, rather than cash, Jacksonville's margin would have been closer to 2.4% and Gainesville approximately break-even.

The consultants also impacted surgical volumes, which have trended positively in recent years. Again, credit can be given here to faculty incentives established around through-put. Gainesville and Jacksonville have improved clinical activity measures against national benchmarks. Both campuses have utilized the consultants effectively, based on their differing size, payer mix, and operating budget components.

Some discussion then followed regarding the existence of special taxing authorities in other locations in Florida, and that the City of Jacksonville should explore such an option to address the indigent care situation at the Jacksonville campus. It was agreed that long-term strategies need to be explored.

Vice President Paul Robell provided an update regarding the capital campaign. He noted that the economic downturn has begun to negatively impact fundraising activities. The total raised in the campaign stood at \$772.5M at the end of November. The month of November was the worst of the campaign, with \$4M being raised. \$800M is the year-end target, and there is hope it will be reached. Mr. Robell noted that we are still on pace to reach the \$1.5B goal at this time. The Foundation is focused on several strategies during the downturn, including focus on IRA gifts, bequests, identification of prospects' interests, intensification of regional solicitations, and mass appeal to larger alumni base.

Mike Smith from UFICO then presented an update. After reviewing the organization chart and plans to search for a COO of UFICO, Mr. Smith provided some endowment and market performance information. At the end of October, the endowment was down 15.3%, against the policy benchmark of -25.7% and a 70/30 benchmark of -18.6%.

Mr. Smith described some of the current economic numbers, including information regarding multi-trillion dollar bailouts and other market activity. The credit markets have yet to turn around, a necessary component of a market turnaround. Mr. Smith suggested that overall, 2010 may see some market turnaround, though there will be intermittent spokes along the way.

After all reports, Chair Morgan asked the board to turn their attention to the consent agenda and noted two items to be removed. First, as requested by the Committee on Governance, item GV3 regarding the Shands holding company was removed and will be considered at a later meeting. Second, item GV2 regarding presidential compensation was removed at the request of Trustee Warrington. After discussion, the consent agenda was approved. Trustee McGriff was asked to restate the motion from the Governance Committee regarding the presidential compensation, with the committee recommending a \$75,000 payment in connection with short-term goals and \$210,000 payment in connection with long-term goals. The motion was heard and, after discussion, it passed with one nay vote from Trustee Warrington.

Chair Morgan asked for new business and public comment and as there was none, began her comments by noting once again, it's a great week to be a Florida Gator. I hope we never take all of this for granted. This is an exciting time to be a Florida Gator not just because of what happens on the football fields but for our faculty and administration. This board does not take any of this for granted. Everyone is working harder for less and requiring the best of us and we need to recognize a few. Thanks to our Governor for the tuition proposal that was introduced. This took tremendous courage on his part at this particular time. It is important that we all recognize and help communicate the need and support for this proposal, it has a long way to go through the legislature. Thanks also to our President for the work that went into this. He has been talking about this for 3 years as has gone around the state and met with various folks. Thanks to our Government Relations team for all of their good work as well.

You heard a moment ago a brief report on the work with the Florida Board of Governors on our duties and regulations. No report can give justice to the amount of work behind that. Thanks to Jamie Keith and her team as they work with Board of Governor's General Counsel. Joelen Merkel – thank you for your work on the audit charter – there is no one better to guide and direct that progress. I had an opportunity to address the Faculty Senate on 11/20 and I hope I was able to bring a Board of Trustees' perspective to that group and was able to share a sense of optimism for the future. Thank you, Frank, for that opportunity. I also want to thank someone who just happens to be in the room, Chris Machen for her work with the student government and Shands for the Gator Watch. The subject of student safety is a part of her conversation and creating a safe community for all of our students. We are very grateful. I echo Bernie's comments about our three leaders whose faces we will miss. Jimmy Cheek, his fine leadership

and graciousness and leadership throughout the state. We know deep in your heart you will always be a Gator. We all know and have benefitted from Kyle Cavanaugh's time. His leadership will be missed. Nur – I will add to the wonderful accolades. Thank you for your leadership and carrying and leaving us with a strong foundation.

Happy Holidays – see you in Miami.

Dr. Machen then asked to speak and personally thanked the Board for their continued encouragement, feedback and support and noted he appreciated the recognition of the year we have had here and what we have had to do. It's been a tough one. Dr. Machen noted that his salary from state dollars has not increased in the past five years. All of the dollars allocated to Dr. Machen on the bonus side come from the Foundation and Shands, and he appreciates the fact that the Board recommended his bonus. The University has not asked for reduction in employee compensation. Chris and Dr. Machen are very honored to be part of this University and in recognition, they are donating an amount of at least the \$275,000 to be used to support the Florida Opportunity Scholars program at the University of Florida.

With that, the meeting was adjourned.