



*Board of Trustees*

*Minutes*

*March 17, 2009*

A regular meeting of the University of Florida Board of Trustees was held on Monday, March 17, 2009 in 215B of Emerson Alumni Hall.

The meeting was called to order by Chair Dianna Morgan at 10:35 a.m. and a quorum was confirmed. Ms. Morgan asked President Machen for the President's report.

Dr. Machen began his report by thanking Trustees Frank Bova and Kevin Reilly for their time and service and noted that they were honored at the dinner last night. He introduced Jordan Johnson, the new Student Body President. Dr. Machen asked Athletic Director Jeremy Foley to speak and Mr. Foley noted that the men's basketball team had been selected for the NIT and that the Women's softball team is ranked #1; he attributed the success of these and other sports at UF to quality athletes and coaches.

Dr. Machen then reminded all of the upcoming legislative session and noted that he and others will be spending a significant amount of time in Tallahassee during the next few months.

Chair Morgan requested the committee reports.

Trustee Joelen Merkel reported on the Committee on Audit and Operations and began by noting the approval of the December 8, 2008 minutes. Next the committee reviewed the audit of the financial statements for the year ended June 30, 2008, noting that the Auditor General had no findings to report for the audit period, a first since the implementation of PeopleSoft. Trustee Warrington expressed concerns with a large reduction in net assets at a University affiliated organization and concerns about current year operations for this organization. CFO Matt Fajack discussed those concerns and then was requested to provide the committee on a monthly basis with financial updates for this organization. Chair Merkel asked Mike McKee, University Controller, to address the June 30 reported unrestricted net asset fund balance. Controller McKee indicated that although reported as unrestricted pursuant to accounting principles, this

amount is in fact substantially committed for a number of different purposes including such things as housing repair and maintenance which was to be done over the summer, student government activities fees and summer student fees. After some additional discussion, the audit report was accepted as presented.

The committee then reviewed the policy on Identity Theft Prevention Program. In November 2007, the Federal Trade Commission adopted rules known as the Red Flag Rules, which were issued with the underlying goal of detecting, preventing, and mitigating identity theft. Entities subject to these rules, like the University of Florida, are required to have their identity theft prevention program approved by their Board of Trustees no later than May 1, 2009.

Susan Blair, the University's Chief Privacy Officer, is responsible for implementing and providing ongoing support of this program. Ms. Blair gave a short presentation explaining the Identity Theft Program and answered questions relating to the program and recent privacy breaches. She noted that this program formalizes a lot of the policies and procedures that the University has had in place and noted that there have been no reported identity thefts from those recent privacy breaches. However, Susan advised the committee of four recent cases of identity theft on campus noting that, due to the data rich environment in which UF operates, the university is a natural target for such activity. The identity theft prevention program was accepted as presented.

Chair Merkel introduced Brian Mikell as the new Chief Audit Executive, and commented that he was selected pursuant to a full search process. She reported to the committee that she had been involved in the interview process of the final candidates and fully supported the selection of Mr. Mikell.

Mr. Mikell presented the four internal audits that had been issued since the last Board meeting. The reports included were 1) Bank Reconciliations; 2) UAA Sport Camps and Clinics; 3) UFF Restricted Gifts; and 4) Student Health Care Center. The reports and summaries had been previously provided for detailed review, so questions were minimal.

Mr. Mikell discussed proposed mid-year revisions to the OACR's work plan. Some projects had been added at the request of university management and some need to be postponed as available hours for the remainder of the year would not be sufficient to complete all planned projects, due in part to a significant number of hours for investigative work and unfilled auditor positions. Mr. Mikell assured the committee that postponed audits would be considered in the development of the subsequent year's work plan to ensure that OACR is maximizing its benefit to the university. Chair Merkel noted the Committee's continued concern with p-cards and addressed the need to be even more vigilant in this area due to the challenging economic times.

Phil Ciano, Audit Supervisor with the Auditor General's Office, provided an update on external audit activities. Mr. Ciano reported on the federal financial assistance audit, including a discussion of comment items and the improvement from the prior year – there were no comments relating to contract and grant administration or student financial assistance. He also noted that the Bright Futures audit was wrapping up and that no findings were anticipated. Mr. Ciano also discussed the operational audit, conducted on a biannual basis, which is currently in process, noting a reduced scope and emphasis on follow-up on prior findings. Responding to

Chair Merkel's question, Mr. Ciano stated that in his opinion, the university's internal control environment remains very strong.

Mr. Mikell addressed the current status of the BOG audit committee charter. With UF taking the leadership role (CAE, general counsel, and audit committee chair) and working with their counterparts at other state universities, a charter was developed which all parties could support. The draft audit committee charter was presented to and approved by the BOG audit committee on January 28. Final charter will be presented for ratification at the March 26 BOG meeting.

The BOG IG charter will be considered next. UF has also taken the lead on this charter, preparing a draft as the starting point.

The committee considered information provided by Business Affairs relating to audits of university affiliated organizations, noting that the only addition from the last committee meeting was the audit of the Law Center Association.

Trustee Cynthia O'Connell next presented the report of the Committee on Educational Policy and Strategy. She noted all consent agenda items were unanimously approved. Housing rental rates are to be increased (graduate and family housing – average 7.2% increase or \$20-\$40/month; single student housing – average 9.7% increase or \$210 for fall and spring semesters) The new rates reflect increases in utilities as well as a 5% increase in overhead expenses. The overhead increase is part of the developing “responsibility center management” model where all auxiliaries across campus will have overhead costs of 8% of their budget (rates will be effective July 1, 2009). Physician Assistant tuition will be increased (instead of having the College of Medicine subsidize this program) The university is asking that tuition be increased by 10% and possibly 15%, whichever is permitted by the legislature to make the Physician Assistant program self-sufficient. Tenure-upon-hire for Charles Peloquin, College of Pharmacy, was approved. Regulations were approved, including updates to reflect current practices for registration and the timely payment of student fees, as well as the addition of Clinical Eminent Scholar, previously reserved for tenure or tenure-track positions and will allow clinical faculty to earn this prestigious title.

The committee received updates on several topics such as department creations, mergers and name changes; Admissions; Honor Code Chancellor; Student Experience in the Research University (SERU); BSBA at Santa Fe College and a Faculty Senate update. Of those topics, she highlighted a few: Honor Code Chancellor Jason Zimmerman gave an update and reported the new process is moving well and has student support; Dr. Andy McCollough gave a summary of the BSBA at Santa Fe College, including its admission requirements and how the program is monitored.

Mrs. O'Connell asked Zina Evans to give a brief update to the board regarding admissions. Ms. Evans reported the receipt of 27,000 applications for the freshman of 6400, admitting less than 24% of those applied and commented that it is a phenomenally talented group. The middle 50% GPA is 4.1 and 4.4 and noted all three components of the SAT were used this year and UF continues to attract very talented students and expressed the university's excitement about this new group.

Trustee Warrington offered congratulations and made special note of the number of legacy applicants and acceptances.

Trustee O'Connell then asked Provost and Senior Vice President Joe Glover to speak regarding the SERU. He stated that for many years UF participated in NESE and is now participating in the new instrument, SERU, a survey instrument which allows a reading about quality of student experience regarding activities in and out of the classroom, student life on and off campus, and can be used to better gauge services to students, health of the student culture and how their current practices interact with faculty. He noted receipt of over 1000 responses after launching this week and is encouraging students through the end of June to complete survey.

Trustee Alfonso provided the report of the Committee on External Relations. The December 8, 2008 minutes were approved as read. The committee members were asked to approve the university's requests for federal earmarks in the FY 2010 budget. The earmarks are proposals for funds to support UF research, which are solicited from faculty members. Last year Congress approved \$16 million in earmarks for UF. The committee unanimously approved a list of projects to be submitted to Congress for consideration this year.

The committee received an update on UF's grassroots program, Gators for Higher Education. The Web site is now online, and alumni were invited to join via an email from President Machen last month. More than 1400 have already signed-up. The first alert, which will encourage GFHE volunteers to contact their legislators in support of the tuition bill, is expected to go out in the next few weeks.

The committee discussed the process for engaging volunteers in the effort, including holding regional rallies, meetings with President Machen as he travels the state, and providing giveaways.

The alumni association is also organizing alumni on a regional basis for the purpose of supporting the university's legislative efforts. Groups have been created in Orlando, Tampa, Miami, West Palm Beach, Tallahassee and Naples. We expect to organize a similar group in Jacksonville, as well.

A report on the state budget and the university's legislative agenda followed. New revenue estimates released by the state on Friday indicate that revenues for the current year and next year will be lower than predicted. As a result, the FY 09-10 budget could be more than \$6 billion short. Federal stimulus money as well as new revenues are anticipated to help reduce the deficit to approximately \$3 billion. The committee discussed the stimulus package and how the funds would be distributed in Florida.

Stimulus funds also are available through the National Institutes of Health, National Science Foundation and other agencies through competitive grants, which UF is pursuing.

Moving to the marketing portion of the agenda, the committee heard an update on the UF Branding Campaign and the "Remember When" initiative. The Remember When television commercial that aired during the SEC and BCS Championship football games reached an audience of more than 42 million Americans. More than 400 Remember When YouTube videos

have been posted to the Inside The Gator Nation Web site since the campaign began in October and another 200 written stories have also been posted.

A new public relations and advertising initiative focused on UF's impact on the state's economy and on job creation has begun. The UF News Bureau is heading a media relations outreach in conjunction with the UF Office of Technology Licensing.

Results from the 2008-2009 UF Marketing Research study were reviewed. The survey found that 86% of Floridians say it is important to have a Top 10 university in the state. Not surprisingly, UF's strongest reputation is in Athletics followed by Academics and Research.

All committee members agreed that a committee priority will be to communicate the importance of UF research to the state and its relevance to economic development.

One year after the Cost Reduction and Efficiency Task Force recommendations, more than \$1.37 million in savings have been realized from moving publications from print to electronic and other efforts.

The meeting concluded with a discussion about Florida Blue Key's legislative reception at the Governor's Mansion on March 31. Trustees will receive invitations within a week.

The committee thanked Kevin Reilly for his service and leadership as Student Body President. Carlos Alfonso also wanted to publicly acknowledge the passing of a great Gator friend, Randy Roberts, who served on the UF Government Relations Advisory Committee.

The report of the Committee on Finance and Facilities was presented by Trustee Al Warrington. Mr. Warrington stated the minutes of the December 8, 2008 meeting were approved. Next the committee addressed the action items presented.

The proposed Transportation and Parking Services budget for fiscal year 2009-10 was reviewed by the committee and approved as presented.

The proposed amendments to the Operating Budget for 2008-09 were reviewed by the committee and approved as presented. The amendments recorded the 4% hold back of state funding implemented by the special session of the Florida Legislature and budgeted \$6 million of unbudgeted tuition reserves for the payment of utilities.

Proposed changes to University of Florida regulations were reviewed and approved by the committee.

The proposed amendment to the 2009-10 Fixed Capital Outlay (FCO) project list was reviewed and approved by the committee. The amendment combines the PECO projects for Utilities/Infrastructure Improvements and the Chemistry/Chemical Biology Building & Renovation of Existing Facility, and allocates the combined \$17,938,751 to Utilities/Infrastructure Improvements. These added funds will be used to implement energy saving initiatives to reduce utility costs. The Chemistry building and renovation project will continue with planning in 2009-10.

The committee then moved to the discussion items on the agenda and began with the audited Annual Financial Report for the fiscal year ended June 30, 2008 which was presented to the committee. There were no audit findings included in the report. Trustees Warrington and Merkel requested that VP/ CFO Matt Fajack provide the committee with monthly financial status reports for Shands Hospital and the faculty practice plans.

Next, the University financial report as of December 31, 2008 was presented to the committee. VP/CFO Fajack updated the committee on the latest revenue estimating committee meeting held in Tallahassee last week. Current projections are that the current fiscal year revenues will be approximately \$1.1 billion less than the last projection, and the 2009-10 revenues will be \$2.3 billion below the previous estimate.

Faylene Welcome, Director of the university's Small Business and Vendor Diversity office presented information on UF's initiatives to inform, educate and conduct business with small businesses. Following the presentation, the committee made several suggestions for strengthening the program and its efforts.

An update on construction projects was provided to the committee by Assistant Vice President Carol Walker. Highlights include the pending demolition of the existing band shell and construction of a new facility, the awarding of silver LEED certification for the HUB historic renovation and the observation that recent construction bids have been lower than originally projected.

Vice President Poppell briefed the committee on the current status of utilities expenses. Progress Energy had announced an increase of 26% earlier in the fiscal year, but has now reduced the increase to 14% which will save the university approximately \$2.1 million through the end the fiscal year. However, an additional increase in rates is expected from Progress Energy next fiscal year and the university is projecting a \$6.5 million dollar shortfall in the utility budget for next fiscal year.

The committee was informed that the university is pursuing funding for all opportunities available through the Federal stimulus package.

The presentation on the Archer Road project was deferred to the next committee meeting.

University employees were presented to the committee for recognition of their dedicated service to campus. Joanne Ryals, is a custodial superintendent in Physical Plant. She has been employed almost 35 years and currently supervises the night shift at the Health Science Center. Donna McClure joined the UF payroll department in 1993. She is the first Certified Payroll Professional in the payroll department and is one of three payroll managers in the department. Both employees were commended by the committee for their loyalty and tireless efforts on behalf of the University.

The report of the Committee on Governance was delivered by Trustee Earl Powell. The Committee first reviewed and approved the Minutes from our December 8, 2008 Committee meeting.

The committee next discussed and unanimously approved for recommendation to the Board the certification of a new University direct-support organization, Citrus research and

Development Foundation, Inc. This is item GV1 on your consent agenda and there is a brief Executive Summary regarding the proposed DSO at page 53 of your Board materials. President Machen addressed the Committee and explained that the citrus industry has agreed to provide resources with the State to fund citrus research. The Legislature and industry want the University to organize and coordinate the research efforts. The University has long been recognized for its preeminence in providing citrus research and this will be even more important as new dangers to our citrus crops are emerging and having an impact on our citrus crops. President Machen noted that the Trustees had expressed a desire to reduce the number of DSOs, but he felt this was an appropriate use of a DSO for much needed research within UF's mission. Dr. Machen noted that this DSO would be subject to the same governance provisions as all of the other University DSOs and that two UF Presidential appointees would be directors of the corporation. Dr. Machen expressed his appreciation to General Counsel Jamie Keith and IFAS Executive Associate Vice President Joe Joyce for their work in organizing the corporation. Ms. Keith in turn expressed her gratitude to Senior University Counsel Mike Ford for his work on this project.

The Committee then discussed the proposed updates and amendments to IOM 01-1 regarding affiliated entities (this is item GV2 on the Consent Agenda which includes a summary of the clarifications and changes). After a brief discussion the Committee unanimously voted to approve the updates and amendments to IOM 01-1 for recommendation to the Board.

Trustee Powell noted that, at the conclusion of the action items, he updated the Committee on the UFICO Board of Directors. He advised the Committee that UFICO wanted to continue to have a faculty member on the Board from the Business School's Finance Department and that UFICO's board is also considering reducing the number of ex-officio director positions on the Board so that additional outside directors with expertise in finance and investing could be added to the Board. A further update will be brought to the Committee.

Brian Beach advised the Committee that he and Ms. Keith will review some peer institutions' practices and will consider possibilities for Chair Emeritus status and other ideas.

The Committee then met in closed session to receive a report with regard to the status of the University's collective bargaining process, after which the Committee adjourned.

Trustee Mac McGriff presented the report of the Committee on Resources. Vice President Robell provided a campaign update. As of March 13, the campaign total had reached \$873 million. This represents about 58% of the campaign dollar goal, through 51% of the campaign time line. These percentages do not seem out of balance with recent UF campaigns.

More than half has come in the form of cash, with the rest coming from gifts and pledges. Vice President Robell noted that he still feels pretty good about the pledges, with only occasional rescheduling of the timing of payments having occurred. As expected, cash gifts were lower last quarter.

Mr. Robell and the committee thanked Jerry and Judy Davis for their tremendous \$20 million gift. Jerry and Judy are great friends and supporters of the University of Florida and should be commended for their generosity and wonderful gift.

Mike Smith from UFICO then provided an update regarding the endowment's performance and the markets and welcomed UFICO's new chief operating officer, Ed Kelly.

The endowment's asset allocation reflects a growing percentage in private investments, with considerable underweight in global equities. The leverage exposure of the endowment remains comparably low, with a continued downward trend. The non-endowed pool continues to grow its cash position, as hedge strategies are closed.

For February, the endowment was down 2.66%, compared to the policy benchmark of -9.19% and the 70/30 portfolio benchmark of -7.45%. For the fiscal year-to-date, the endowment is down 21.37%, compared to the policy benchmark of -39.9% and the 70/30 benchmark of -30.81%. UFICO continues to perform well against the benchmarks.

UFICO also performs well against its peers, ranking in top quartile and decile in many categories. Among the SEC, UFICO ranked first in performance for the 4th quarter of 2008, and second to Vanderbilt for fiscal year to date. This was primarily the result of UFICO's lower equity exposure.

At the conclusion of the reports, Chair Morgan directed the Board to the consent agenda and asked for a motion. Trustee Al Warrington moved to approval and Trustee Mac McGriff seconded.

As the next order of business, Chair Morgan asked for new business.

Trustee Cunningham requested a resolution to honor Randy Roberts.

Chair Morgan asked for any other new business and for public comment. Requests for public comment were made from Kim Emery on behalf of UFF, Regina Martin, and Deeb Kitchens on behalf of GAU. Chair Morgan welcomed them. After hearing from all three, Ms. Morgan thanked them for their comments and time taken to express them. She noted we all know we are in challenging times. Speaking on behalf of fellow trustees, she noted that it was encouraging last night to be with the Deans and to hear the work they are doing and to fully understand the challenging environment and to see what they are doing. She continued by noting that Dr. Machen and she attended a conference with board chairs and presidents of AAU institutions in Charlottesville. The purpose was to bring together leaders of nations institutions and talk about the challenges. We heard of challenging situations across the nation and, in all cases, universities are attempting to focus on core strengths, state economic goals and new sources of funding . . . our challenge going forward. I remind you that we heard you clearly at the retreat in the hope for more time for strategic discussion and new ways for our meetings to be more efficient.

Trustee Warrington commended the public appearances on their eloquence and said that the board is deeply concerned. He reminded them that net assets are not equivalent to unrestricted cash and that the net assets not able to be used on recurring items such as salaries..

Chair Morgan thanked everyone for their time and commitment and reminded everyone of the need to schedule a board call in May and wished everyone the best. The meeting was adjourned at 11:36.