



*The Foundation for The Gator Nation*

***Board of Trustees***

***Minutes***

***March 16, 2010***

A regular meeting of the University of Florida Board of Trustees was held on Tuesday, March 16, 2010 in 215B of Emerson Alumni Hall. The meeting was called to order by Chair W. A. “Mac” McGriff, III, at 10:40 a.m., and a quorum was confirmed. Chair McGriff asked President Bernie Machen for his report.

Dr. Machen stated the university is now entering the last weeks of the academic year, heading toward graduation. He congratulated the men’s indoor track team on their national championship.

Dr. Machen spoke of the March 2<sup>nd</sup> incident at Corry Village involving a graduate student and the university’s response. He expressed concern for everyone affected, including the student and his family, as well as UPD, and Corry Village residents. President Machen noted that many questions remain and that internal reviews have been requested of student mental health services, housing, and UPD. He noted that FDLE was called in the night of the incident and here the next day and stated that we are not able to begin our internal investigation until FDLE completes its investigation. Dr. Machen also told the board that an external firm, national experts in campus safety, was engaged to independently oversee UF’s internal investigation. He reminded the board that this will take time and encouraged the campus community to be patient during the process.

President Machen introduced to the board the new Senior Vice President for IFAS, Dr. Jack Payne, from Iowa State University, the result of a national search led by Provost Glover. He recognized Larry Arrington for a job well-done as interim Senior Vice President and thanked him for his efforts. Dr. Machen also introduced Thomas J. Mitchell as the new Vice President for Development and Alumni Affairs, also the result of a national search and currently Vice Chancellor for Advancement at University California, Irvine. He noted that Tom is widely known in the national development community and that he will be a great addition to our team, and that Tom and Peggy will be joining UF on June 1 Dr. Machen then provided special recognition to Paul Robell for the incredible effort and dedication that he has provided to the University of Florida for many years. He reminded the board that they could expect an announcement regarding a new CIO by the end of the semester.

President Machen recognized Vice President for Student Affairs, Patricia Telles-Irvin, for being elected President-Elect of NASPA, which has over 11,000 members.

Dr. Machen observed that the budget was discussed during the strategic meeting so there was no need to discuss it further. He noted that he feels good about UF is and he recognized the Legislature as a great partner and supporter of UF during these challenging times. .

President Machen recognized faculty Trustee Jack Mecholosky and student Trustee Jordan Johnson, with this being their last meeting. He noted that we are thankful to have such great leadership of students and faculty at this university and praised them for their efforts.

President Machen thanked the Board for its important guidance and support during this very challenging year

Chair McGriff thanked Dr. Machen for his report and called upon the committee chairs for their committee reports.

The Audit and Operations Review Committee report was presented by Trustee Al Warrington and he noted that the minutes from the December 10<sup>th</sup> meeting were presented and unanimously approved. Trustee Warrington recognized the accomplishments of his predecessor, Joelen Merkel, who had served as Chair of the Audit and Operations Review Committee since its inception. He proposed that the audit committee develop a resolution to be presented to Joelen at a future date, thanking her for her service and the committee agreed.

Trustee Warrington noted that next on the committee's agenda were the consent agenda items. The committee's first consent agenda item was the acceptance of the University of Florida's Financial Statement Audit for the FYE June 30, 2009. In February, 2010, the State of Florida Auditor General released the report on the audit of the financial statements of the University of Florida for the fiscal year ended June 30, 2009. The Auditor General issued an unqualified opinion on the financial statements and the report included no comments. Subsequent to this release and receipt of the opinion, the university published its Annual Financial Report. The committee reviewed the university's Annual Financial Report, which included the Auditor General's report. After some discussion, the committee approved the university's audited financial statements, notes, and management's discussion and analysis as published in the Annual Financial Report.

Next on the consent agenda was the acceptance of the University of Florida's Operational Audit for the FYE June 30, 2009. In January, 2010, the State of Florida Auditor General released the operational audit report of the University of Florida for the fiscal year ended June 30, 2009. This audit is performed every two years using a risk-based approach. The objectives of the operational audit were to: (1) obtain an understanding and make overall judgments as to whether university internal controls promoted and encouraged compliance with applicable laws, rules, regulations, contracts, and grant agreements; the economic and efficient operation of the university; the reliability of records and reports; and the safeguarding of assets; (2) evaluate management's performance in these areas; and (3) determine whether the university had taken corrective actions for findings included in the prior operational audit report. University management has developed a plan of action to address the audit recommendations. Phil Ciano, Audit Supervisor with the Auditor General's Office, commented that the auditors were satisfied with the university's responses and planned actions.

The committee reviewed the operational audit report and, after some discussion, accepted the operational audit report as presented, including the planned actions to address the audit recommendations.

Next the committee was provided an update by Phil Ciano of the Auditor General's on external audit activities. He reported that fieldwork on the federal financial assistance audit has been completed. The scope of the audit included a review of the university's Schedule of Expenditures of Federal Assistance, and a review of the major programs of Student Financial Assistance and the Research & Development cluster. Preliminary findings have been provided to the Auditor General and the final report, which is part of a report on the State of Florida, will be released by the end of March 2010.

Mr. Ciano then discussed the annual audit of the Bright Futures scholarship program. This audit is in progress and the report, issued for the State of Florida, is expected to be released by early May.

Mr. Ciano reported the next audit cycle has already begun. The Auditor General delivered an engagement letter on February 11 covering the Financial, Federal Financial Assistance, and Bright Futures audits for the 2009-2010 fiscal years. The Federal audit will include a new major program for the American Recovery and Reinvestment Act (ARRA).

Chief Audit Executive Brian Mikell presented the five internal audit reports that had been issued since the last Board meeting: 1) Recreational Sports Department; 2) Transportation and Parking Services; 3) University of Florida Investment Corporation; 4) Foundation Human Resources and Payroll; and 5) Foundation Risk Management and Insurance. The reports and summaries had been previously provided for detailed review. Mr. Mikell summarized each audit report and answered questions from the committee. Mr. Mikell and Audit Director Joe Cannella also reported on follow-up status of previously issued internal and other audits.

Mr. Mikell presented proposed mid-year changes to the Office of Audit and Compliance Review's 2009-2010 annual audit work plan. Changes included projects added at the request of university management, and projects postponed or cancelled due to our evolving risk environment and consideration of available resources for the remainder of the year. Available resources have been affected by added projects and more than planned hours for required investigative work. Mr. Mikell assured the committee that postponed audits would be considered in the development of future audit work plan's to ensure that OACR is maximizing its benefit to the university. After some questions and discussion, the committee approved the proposed revisions to audit work plan.

Mr. Mikell also announced that the risk assessment process has begun that will culminate in a proposed three-year audit work plan for OACR covering the fiscal years 2010 to 2013. OACR will obtain input from campus stakeholders relating to existing risks, and will also benchmark with other similar universities. Input will be solicited from the audit committee members. The proposed three-year audit work plan will be presented to the audit committee at the June meeting.

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 A-133 audit of Jacksonville Physicians, Inc. Mr. Mikell restated the intention of OACR, at the audit committee's request, to follow-up on any repeat comments in the affiliated organization audit reports.

Committee Chair Warrington reported that he has reviewed the status of the investigations log and that the investigations were being appropriately reviewed.

Trustee Carlos Alfonso reported on the Committee for Educational Policy and Strategy and noted all consent agenda items as follows were unanimously approved. 1. University Regulations; 2. Termination of M.S. in both Dairy Science and Poultry Science (both degrees have been merged into a single master's degree and are now offered as the master's in Animal Sciences); 3. Honorary Doctor of Science degree for Howard Lance (currently the chairman of the board, president, and chief executive officer of the Harris Corporation; Harris Corp has been a great partner not only of the College of Engineering but also for the University of Florida); 4. Annual Report (BOT approval is required by the Board of Governors; the report was submitted previously with the preliminary consent of the chair of the BOT, but must be formally approved by the full board); 5. Tenure Upon Hire (Dr. Jack Payne, Professor and Senior Vice President for Agriculture and Natural Resources).

The committee received updates from Admissions, Faculty Senate, and Student Government and the committee thanked Trustees Jack Mecholsky and Jordan Johnson for their service. The committee also discussed Lake Nona as an educational site and received a presentation on undergraduate education and distance learning.

The Undergraduate Education presentation included an update from Associate Provost Bernard Mair on the Undergraduate Curriculum Task Force which included information about six areas of focus: Research/Creative Works; Writing in the Disciplines; Faculty-Student Interaction; Global Competence/International Experiences; Signature/Capstone Experiences; Internship/Service Learning. The presentation included information from the Humanities General Education Course presented by Dr. Vasudha "Vasu" Narayanan entitled "What is the Good Life?" The course is in its pilot semester with plans to be taught to 600 students next year. Also included was information from Dr. Bruce Wheeler, Interim Chair of the J. Crayton Pruitt Family Department of Biomedical Engineering. The Biomedical Engineering field is growing at a rapid pace and the department plans to increase the faculty from 10 to 18 members, increase the number of graduate students from 80 to 140, and increase the undergraduate population to 280 by staged growth.

Finally the committee received a presentation on Distance Learning by Associate Provost Andy McCollough. Dr. McCollough provided the committee an update on the university plans for distance learning and the approach to obtain goals while preserving academic integrity. There was no new business and the committee adjourned.

Trustee Daniel Ponce provided the report on the Committee for External Relations. Minutes from the December 10 meeting were approved.

The committee began with an update on the state's budget process. While early in the process, the House has a preliminary budget that cuts higher education by 4.6%, the House also assumes a 15% tuition increase that would reduce the 4.6% cut to less than 1 percent. The Senate appropriations committee would reduce the higher education budget by 6%, and then add back in half of that amount for priority needs. The Senate also assumes a 15% tuition increase, and that would result in a 3.72% increase.

Neither the House nor Senate at this point provides additional funds for the College of Medicine or the Major Gifts program. Cuts in employee compensation and/or benefits are in the House bill and are anticipated in the Senate budget.

The university is working with Florida Blue Key and the Alumni Association on Gator Day events, at a date to be scheduled. There will be opportunities for trustees to meet with legislators, attend an Alumni Association luncheon, followed by a Capital Area Gator Club welcome reception and a Florida Blue Key reception for its membership. We expect students to have displays, as well.

An update of the Gators for Higher Education program was provided to committee members. Current membership is more than 4200 and we are continuing to grow membership with outreach activities, including participation in Gator Club events throughout the state, alumni reunions and other Alumni Association events. The first action alert of the legislative season will be made by the end of week 3.

The committee received a report on media coverage of the past three months. UF led among our peers, including the Universities of California, Michigan, North Carolina and Florida State University in broadcast market hits. Fans on the UF Facebook page increased 113% to 46,000 members since June 2009.

The committee was briefed on UF's new project, Innovation Square, a technology transfer development on Second Avenue. It will be anchored by the Innovation Hub, a new incubator/tech transfer building. It is expected that additional related public and private development will grow around the Hub.

Trustee Al Warrington reported on the Finance and Facilities Committee on behalf of Trustee Scott and noted the minutes of the December 10, 2009 committee meeting were approved as presented.

Proposed action items were brought to the committee: The Transportation and Parking Services auxiliary budget for fiscal year 2010-11 was presented to the committee. The university has several parking decks funded by long term bonds containing covenants requiring the Board of Governors to receive and approve the subject budget. The committee was briefed on causes of auxiliary liquidity fluctuations in the past three years, caused mainly by utility cost increases. The renewal and replacement reserves are funded based on an engineering study conducted approximately every five years that prioritizes maintenance projects based on critical need and life/safety issues. The Transportation and Parking auxiliary budget for fiscal year 2010-11 was unanimously approved as presented.

The proposed naming of the new lacrosse stadium was presented to the committee. Donald R. Disney has provided extraordinary financial support for the athletic program and in recognition it is recommended that the new lacrosse stadium be named the Donald R. Disney Lacrosse Stadium. The naming was approved unanimously by the committee.

The committee was provided with proposed changes to Board of Trustee Resolution R04-21 regarding university depositories. It is necessary to amend the lists of designated depositories and employees authorized to sign checks. There were no questions from the committee and the changes to the resolution were unanimously approved.

The final action item presented was the recommended approval of the internal loan for construction of the Eastside Campus Data Center. The loan will be provided by the UF Foundation in the amount of \$12,000,000 and repaid from auxiliary revenues of the Computer Network Services department. The \$12,000,000 cost of the facility will include running fiber-optic cable to the site and some other non-construction costs such as equipment. The financing of the Eastside Campus Data Center was approved unanimously by the committee.

Discussion items were: An update of the university's sustainability efforts as presented by Anna Prizzia, the university's Director of Sustainability. The committee was informed that sustainability is a core value of the university as we strive to teach future leaders. The Office of Sustainability has developed a university-wide vision and strategy which includes a 3 year plan of action. Both the vision and strategy were formed through a collaborative and inclusive process that reached out to all areas of campus. Visionary goals of the university include carbon neutrality by 2025 and zero waste by 2015. Sustainability efforts include campus outreach programs to many areas of campus, institutional advancement via many partnerships and grass root efforts. While a number of challenges exist in achieving the goals, UF's efforts have been recognized by several national organizations including the Sierra Club and the Princeton Review.

The quarterly financial report as of December 31, 2009 was presented to the committee. A summary review of items of interest and variances was provided. Trustee Warrington commented the footnotes and explanations are very helpful to the committee.

The committee was informed that the University of Florida's Annual Financial Report for the fiscal year ended June 30, 2009 has been issued and electronic versions of the report have been sent to all trustees. The university received an unqualified opinion from the State of Florida Auditor General on their financial statements and hard copies were distributed to those committee members who desired a copy.

A construction update was then presented to the committee. Slides providing construction information and depicting renderings of projects currently underway were provided for Hough Hall, Counseling and Wellness Center, Harn Asian Art Wing, East Campus Office Building, Veterinary Education and Clinical Research Center and the Southwest Recreation Center expansion. Projects in the design phase include the Research and Academic Center at Lake Nona and the Chemistry/Chemistry Biology building. Several additional projects are currently in the planning phase including the Innovation Hub, the IFAS Professional Development Center and the East Campus Data Center.

The committee was provided with a brief update on Responsibility Center Management budget activities. More than 100 meetings have been held across campus to inform and prepare the departments for the new budgeting. Training is on-going and is available on line to employees. RCM budgeting will be implemented for the campus for the fiscal year beginning July 1, 2010.

A brief preview of the State of Florida budget was provided. The House preliminary budget calls for higher education reductions of approximately 6.9% from last year. The state revenue estimating committee met last week and revenue is now estimated to increase by 1% this year over last year. The estimated PECO budget for next year of \$12 to \$13 million is significantly less than prior year PECO budgets and no construction matching funds are estimated to be available next year.

The committee was then introduced to Mr. Bob Burton who is retiring from the university after over 20 years of service. For many years Mr. Burton has been responsible for the preparation of the university's annual financial report. The just released annual financial report for fiscal year 2008-09 will be the last of his career. On behalf of the committee, Trustee Warrington thanked Mr. Burton for his many years of service and excellent work. Mr. Warrington expressed his opinion that the recently release annual financial report is the best of many great reports.

A group of employees was then presented to the committee for recognition of their efforts in the planning and implementation of a university electronic procurement system. This integrated system allows university employees to more easily initiate purchases in a catalog shopping environment and assists the university in tracking purchases and obtaining discounted prices from vendors. The project was completed in a period of 12 months due to the dedicated efforts of these employees. The committee congratulated the group on their efforts on behalf of the university.

Trustee Dianna Morgan presented the report on the Committee on Governance. The Committee approved the Minutes from its December meeting.

Committee Chair Morgan summarized and then the Committee discussed President Machen's current short and long-term goals, as well as his performance against the goals over the last few years. The consistent achievement of goals was noted. President Machen expressed his comfort with the current goals, while he and the Committee noted the challenging environment for the capital campaign goal. Everyone agreed with President Machen that the goals relating to the quality of students should be to maintain the high quality of our student body; there is no need to change existing metrics because they are already very high. The goal of hiring 100 net new faculty was also discussed. President Machen expressed his comfort with the goals generally, while noting the challenges relating to fundraising and net increases in faculty that will improve faculty-student ratios. He expressed his optimism that UF will hire 100 new faculty, but the offset from retirements and attrition is uncertain. After further discussion, the Committee unanimously agreed to recommend that the Board approve the President's goals as set forth in your Board materials.

Board Chair McGriff then summarized the outside consultant's report assessing President Machen's performance against last year's goals. Board Chair McGriff and Committee Chair Morgan noted that the President had a spectacular year in achieving the goals. President Machen reviewed his self-assessment. Committee members agreed that the President's performance was excellent and noted that UF is fortunate to have a President with these performance results. The Committee members also expressed their optimism that the President will have another outstanding year. Trustee Ponce expressed his strong support for the performance assessment process and noted that there is great unanimity in the Trustees' assessment. The Committee noted that the consultant, Bill Weary, does an excellent job of capturing the Trustees' views.

The Committee next addressed an amendment to President Machen's employment contract. Vice President and General Counsel Jamie Keith explained that the President earned a sabbatical payment on January 1, 2009 under his original contract, after serving as President for five years. The payment was due on January 1, 2009. President Machen later agreed to an amendment which provided for the payment to be made over four years. However, an unintended and unfair consequence of this change is that the Internal Revenue Code will tax the entire sabbatical payment as if it were paid on January 1, 2009—when President Machen actually only received one-fourth of the total payment in 2009. To make the pay-out fair in light of its tax treatment, and recognizing that there would still be a delay in the pay-out from what the President's contract originally required—with payments being made in 2009 and 2010, the Governance Committee unanimously voted to recommend that the Board approve payment of the balance of the sabbatical amount at this time.

The Committee then announced it would meet in executive session to discuss the collective bargaining process and would reconvene to vote on ratification of the Florida Police Benevolent Association, Inc. and the United Faculty of Florida contracts which have been ratified by the unions.

After the executive session, the Committee again met in open session and separately, unanimously voted to recommend to that Board that it ratify the PBA contract and the UFF contract, after which the meeting was adjourned.

Chair McGriff directed the Board's attention to the consent agenda items. Approval of the consent agenda was unanimous. Chair McGriff then asked the Board for a vote on the last item regarding the naming of the Lacrosse facility discussed by Trustee Warrington in the Finance and Facility report to the Board. Trustee Roberts noted the dedication by Mr. Dizney to this university and state and that the University much appreciates his commitment to the University of Florida. The agenda item to name the new lacrosse stadium the Donald R. Dizney Lacrosse Stadium was approved unanimously.

The last action Chair McGriff brought to the Board was the honoring of outgoing Trustees Cunningham, Daniel, Johnson, Mecholsky, Merkel and Powell. He noted in December the resolutions were presented regarding their service to the Board. The Board unanimously approved the Resolutions. Thank you for your great contributions.

After a request for new business, the meeting was adjourned.