



**UNIVERSITY OF FLORIDA BOARD OF TRUSTEES
COMMITTEE ON GOVERNANCE
COMMITTEE MINUTES**

April 2, 2015

**Warrington Conference Room, Emerson Alumni Hall
University of Florida, Gainesville, Florida**

Time Convened: 10:32 a.m. EDT

Time Adjourned: 11:47 a.m. EDT

1.0 Verification of Quorum

Acting Committee Chair Susan Cameron asked Vice President, General Counsel and University Secretary Jamie Lewis Keith to verify a quorum. Ms. Keith confirmed a quorum with all members present, other than Committee Chair Heavener.

Committee Members present:

Susan M. Cameron (Acting Chair), David L. Brandon, Christopher T. Corr, Steven M. Scott, David M. Thomas, Anita G. Zucker. Committee Chair James W. Heavener was unable to attend.

Others Present:

Trustee Paul Davenport; Kent Fuchs, President; Winfred Phillips, Executive Chief of Staff; Joseph Glover, Provost and Senior Vice President for Academic Affairs; Charles Lane, Senior Vice President and Chief Operating Officer; David Guzick, Senior Vice President for Health Affairs and President of UF Health; Paula Fussell, Vice President for Human Resource Services; Jamie Lewis Keith, Vice President, General Counsel and University Secretary; William Connellan, Provost's Office--Director/lead labor negotiator; Kim Baxley, Director, Employee Relations, Human Resource Services; Mike Ford, Senior University Counsel; Ryan Fuller, Senior University Counsel; Janine Sikes, Assistant Vice President for Media Relations and Public Affairs; Melissa Orth, Senior Director, Government Relations; Becky Holt, Executive Assistant, other members of the University community and members of the media.

2.0 Call to Order and Welcome

Acting Committee Chair Cameron called the meeting of the Committee on Governance to order at 10:32 a.m. EDT, welcoming all present, recognizing new Trustee and Committee member Anita Zucker, and new Committee members Chris Corr and David Brandon.

3.0 Review and Approval of Minutes

None.

4.0 Action Items

Acting Committee Chair Cameron turned the Committee's attention to Action Item GV1, Amendment to Internal Operating Memorandum 01-1, and asked Vice President, General Counsel and University Secretary Jamie Keith to present it.

Ms. Keith explained that Internal Operating Memorandum 01-1 categorizes the University's affiliated private tax-exempt organizations according to the level of governance oversight warranted by the scope, scale, complexity and exposures of their activities and assets. The amendment changes the affiliate status of Shands Jacksonville Medical Center, Inc. (UF's closely affiliated academic hospital in Jacksonville) and its parent company, Shands Jacksonville Healthcare, Inc., from Category Three to a Category One, requiring a UF Trustee to serve on their governing boards. As Senior Vice President for Health Affairs and UF Health President David Guzick reported to the Committee in his governance presentation in December 2014, the governing boards of these Jacksonville Shands entities are controlled by the University –no longer by the Shands academic hospital in Gainesville--and the nature of their activities warrants this level of UF oversight. As authorized by the Board, the President appoints the UF Board's and President's representatives to the affiliated organization boards, in consultation with the UF Board Chair.

In the Committee's discussion, the members noted the importance of the best expertise and adequate time commitment for Categories 1 and 2 affiliate boards and concluded it would be appropriate to enlist former Trustees to serve on some Category 1 and 2 affiliates to best serve the needs of affiliates. This will be the subject of future Governance Committee and then Board consideration and action.

Acting Chair Cameron asked for a motion to approve Action Item GV1, Amendment of Internal Operating Memorandum 01-1, which was made by Trustee Corr and Seconded by Trustee Thomas. The Acting Chair asked for any further discussion, of which there was none, and then she asked for all in favor of the motion and any opposed, and the motion was approved unanimously.

5.0 Discussion/Informational Items

Acting Committee Chair Susan Cameron turned the Committee's attention to the discussion items and asked Ms. Jamie Keith to introduce the first two items.

5.1 Affiliate Governance Review Follow-up and Principles

Ms. Keith presented slides that were available to all Trustees in the Board materials. The slides provide an overview of the good governance controls and standards that are in place for UF oversight of closely affiliated private entities whose exclusive or primary purposes are to support various aspects of UF's mission.

These entities have their own boards and the UF Board is not seeking to micro-manage or impinge on the authority of these boards. The UF Board wants to appropriately ensure that good governance, enterprise risk identification and management practices, fiscal policies and leadership are in place at affiliates that are important to UF's mission and reputation.

Under the oversight approach in place since 2007, a UF Trustee, the President or a designee serves on each affiliate's board, and all affiliates' bylaws must include certain required UF President approvals and affiliate board practices and controls. Former Board Chair Mac McGriff led the initiative to put these standards in place.

Recognizing that it is important to periodically review governance oversight and standards for affiliates, in 2014, the Governance Committee received governance surveys and presentations from the chief executives of the nine Category 1 UF affiliates with the most substantial operations and assets. These are:

- the University of Florida Foundation, Inc.,
- the University Athletic Association, Inc.,
- Gator Boosters, Inc.,
- the University of Florida Development Corporation,
- the University of Florida Research Foundation, Inc.,
- the University of Florida Investment Corporation,
- Shands Teaching Hospital and Clinics, Inc., our Gainesville academic hospital,
- and in anticipation of their change in affiliate status, Shands Jacksonville Medical Center, Inc. and its parent Shands Jacksonville Healthcare, Inc.

President Fuchs emphasized that the review of enhanced governance standards for affiliates was initiated before his leadership of UF began, and do not reflect a concern about the current actions of UF's affiliates. In a private institution, he noted, the functions of UF's affiliates would be part of the university, overseen by the President and reported to the Board. President Fuchs pointed out that it is wise and a good practice to well-position the UF Board's governance oversight of affiliates for the future.

The Committee concluded that:

- President Fuchs and General Counsel Keith should propose to the Committee a rotating cycle for key affiliates to make presentations to the UF Board's Governance Committee on a two or three year schedule; there is no need for all to present annually.
- At Board Chair Steve Scott's suggestion, which was endorsed by the Committee, bylaws and governance controls and standards that apply to affiliates will be reviewed by the Governance Committee every two years.
- The Committee endorsed a planned pilot project with the Foundation and the Research Foundation to identify "priority actions" of key affiliate boards that would trigger some enhanced oversight. The affiliates are specifically created to support UF's mission and General Counsel Keith explained that, in principle, these priority actions would target decisions affecting major resources and interests of the University above to-be-

established thresholds. The Committee asked President Fuchs and General Counsel Keith to use the pilot work to develop some appropriate enhanced governance standards and parameters, including those that will require the UF President or designee as a member of the affiliate board to vote in favor of the action for it to be effective. These will be reported back to the Committee for endorsement.

- Chair Scott noted that it might be appropriate to establish some board meeting attendance standards.

5.2 Update: Affiliated Organizations Insurance Review

Senior Counsel Mike Ford provided an update on a project to review the insurance needs of all of the UF affiliates—other than the Shands hospitals, the Athletic Association and the Foundation, which already have periodic expert reviews of their insurance needs.

Initial findings have been discussed with all affiliates and additional information has been elicited from them. The General Counsel’s office and outside insurance consultant—who does not write or receive a commission for others writing insurance—are collaborating with the chief executives of the affiliates and related UF Vice Presidents to evaluate operational/risk management approaches, statutory protections including possible sovereign immunity, and any gaps to determine final recommendations. Final recommendations will be made to the President and then to the Governance Committee Chair. Affiliates will coordinate to use economies of scale to secure any needed insurance. The General Counsel’s office is aiming to complete the project over the summer.

5.3 Employee Climate and AAU Student Surveys

President Fuchs then briefly addressed the Association of American University (AAU) student survey on sexual assault and related issues, of which the Board has been informed. This survey of a sample of UF students and students at 26 other AAU institutions, is being conducted by AAU and its contractor. UF will benefit by receiving a report on results, expected late in August or after. President Fuchs and Human Resource Services Vice President Paula Fussell also introduced a plan for a future employee climate survey. Acting Committee Chair Susan Cameron and Board Vice Chair David Thomas affirmed the importance of climate surveys to support effective organizations. President Fuchs noted that if climate issues are found in some areas, the surveys will help UF know how best to focus our efforts to achieve the most positive impact.

6.0 Executive Session on Collective Bargaining

At 11:30 a.m. EDT, Acting Committee Chair Susan Cameron announced that the Committee would go into an executive session to discuss collective bargaining and would then resume in open session to address any new business and adjourn. She reconvened the Committee in open session at 11:40 a.m. EDT.

7.0 New Business

Acting Committee Chair Susan Cameron asked if there was any new business.

Ms. Keith reminded the Committee that the Trustees' guests at lunch are emerging UF leaders from academic and administrative departments who are participating in the UF Academy leadership development program. Trustee hosts are at the lunch and Governance Committee members are invited to join them at the adjournment of the meeting.

8.0 Adjourn

Acting Committee Chair Susan Cameron asked for a motion to adjourn, which was made by Trustee Scott, and a second, which was made by Trustee Thomas. The Acting Chair asked for all in favor and any opposed. The motion was approved unanimously and the University of Florida Committee on Governance adjourned at 11:47 a.m. EDT.



UNIVERSITY OF FLORIDA BOARD OF TRUSTEES
COMMITTEE ON GOVERNANCE
COMMITTEE AGENDA

April 2, 2015

10:30 a.m. EDT

Warrington Conference Room, Emerson Alumni Hall
University of Florida, Gainesville, Florida

Committee Members:

James W. Heavener (Chair), David L. Brandon, Susan M. Cameron, Christopher T. Corr, Steven M. Scott, David M. Thomas, Anita G. Zucker

- 1.0 Verification of QuorumJamie Lewis Keith, VP/General Counsel, University Secretary
- 2.0 Call to Order and Welcome James W. Heavener, Chair
- 3.0 Review and Approval of Minutes..... James W. Heavener, Chair
None
- 4.0 Action Items James W. Heavener, Chair
- [GV1. Amendment of Internal Operating Memorandum 01-1](#)
VP/General Counsel Jamie Lewis Keith and
Sr. VP/Health Affairs David S. Guzick
- 5.0 Discussion/Informational Items James W. Heavener, Chair
 - 5.1 [Affiliate Governance Review Follow-up and Principles](#)..... VP/General Counsel
Jamie Lewis Keith
 - 5.2 Update: Affiliated Organizations Insurance Review.....
Senior Counsel Michael W. Ford
VP/General Counsel Jamie Lewis Keith
 - 5.3 Employee Climate and AAU Student Surveys President W. Kent Fuchs
VP/Human Resource Services Paula Fussell
- 6.0 Executive Session on Collective Bargaining James W. Heavener, Chair
- 7.0 New Business James W. Heavener, Chair
- 8.0 Adjourn James W. Heavener, Chair



**UNIVERSITY OF FLORIDA BOARD OF TRUSTEES'
COMMITTEE ON GOVERNANCE
COMMITTEE ACTION ITEM GV1
APRIL 2, 2015**

SUBJECT: Amendment of Internal Operating Memorandum 01-1

BACKGROUND INFORMATION

The Board's Internal Operating Memorandum 01-1 organizes the University's close affiliates as Category 1, 2 or 3, with a requirement that Category 1 affiliates include a University Trustee on their governing boards, that Category 2 affiliates include at least a representative of the University's Board of Trustees (who may or may not be a Trustee) on their governing boards, and that Category 3 affiliates include at least a representative of the President on their governing boards. The President makes the appointments. The categories relate to the nature, scope, scale and complexity of, and the related exposure created by, the affiliate's activities, assets and resources.

UF's closely affiliated academic hospital in Gainesville, Shands Teaching Hospital and Clinics, Inc. (STHC) is a Category 1 affiliate, with a governance structure that makes it a fully controlled affiliate of UF. For many years, through fall of 2010, UF's affiliate, Shands Jacksonville Healthcare, Inc. (SJH) was a subsidiary of STHC; and, as a subsidiary of SJH, UF's affiliated academic hospital in Jacksonville--Shands Jacksonville Medical Center, Inc. (SJHMC)—was a sub-subsidiary of STHC. SJH and SJMC are Category 3 affiliates due to their prior structure as a subsidiary and sub-subsidiary of STHC. These affiliates made their governance presentation to the Governance Committee at its December 2014 meeting. As summarized in that presentation, in the reorganization and close mission and management alignment of UF's health affairs endeavor, doing business under the moniker, "UF Health," they were restructured so that SJH is also a fully controlled affiliate of UF. As noted in that presentation, SJMC and SJH (a substantial hospital, with many employees and patient care, research and education activities and its direct parent) should be Category 1 affiliates. Consequently, we are now proposing an amendment to IOM 01-1 to change SJMC and SJH from Category 3 to Category 1 affiliates.

PROPOSED COMMITTEE ACTION

The Committee on Governance is asked to approve for recommendation to the Board of Trustees for its approval on the Consent Agenda, an amendment of Board Internal Operating Memorandum 01-1, to change Shands Jacksonville Medical Center, Inc. and Shands Jacksonville Healthcare, Inc. from Category 3 to Category 1, as shown on the attached lined copy of the IOM.

SIGNIFICANT POLICY ISSUES FOR COMMITTEE TO CONSIDER

None. Board of Governors approval is not required.

Supporting Documentation Included: See [attached IOM 01-1](#), lined to show the changes.

Submitted by: David S. Guzick, Senior Vice President for Health Affairs, President of UF Health
Jamie Lewis Keith, Vice President, General Counsel and University Secretary

UNIVERSITY OF FLORIDA INTERNAL OPERATING MEMORANDUM

Number: 01-1

Subject: Service of Trustees on Direct Support Organizations, Health Services Support Organizations, and Other Affiliated Corporate Boards

Date: September 7, 2001. Revised March 17, 2009; June 11, 2010; March 17, 2011; September 21, 2012; [April 3, 2015](#).

The University of Florida Board of Trustees, in consultation with the University President, determines whether Trustees or non-Trustee representatives of the Board of Trustees should serve on the boards of University of Florida Direct Support Organizations, Health Services Support Organizations or other affiliated corporations.¹ Although Trustees need not always serve as directors on University-affiliated boards, the nature and scope of certain boards warrants Board of Trustees participation. University representation, including Trustee service on such boards, shall meet the following minimum oversight requirements (which have been the intent and application of this IOM since its inception):

1. University of Florida Direct Support Organizations, Health Services Support Organizations or other affiliated boards that should include a University of Florida Trustee as a member.

University of Florida Foundation, Inc.
The University Athletic Association, Inc.
Gator Boosters, Inc.
University of Florida Research Foundation, Inc.
Shands Teaching Hospitals and Clinics, Inc.
Shands Healthcare, Inc.²
[Shands Jacksonville Healthcare, Inc.](#)³
[Shands Jacksonville Medical Center, Inc.](#)³

¹ The BOT previously delegated authority to the University President generally to make all appointments to affiliates' boards. (Affiliates include Direct Support Organizations, Health Services Support Organizations, as well as non-DSO affiliates.) The BOT reserved the right to approve *creation* of all affiliates and, as always if desired, to act in any particular case. [BOT Resolutions R07-37 (part I. O and II. P and the accompanying summary chart) and R08-44 (giving UFICO the same treatment as other DSOs).] Florida 2003 Statutes, 1004.28(3) and 1004.29(4), authorize--but do not require--the Chair of the Board of Trustees to appoint a representative to each DSO or HSSO board of directors and executive committee. (These statutes do not apply to *non-DSO* affiliates.) Consequently, to implement this IOM, the BOT approves the categorization of each affiliate as a Category 1, 2 or 3 affiliate and the President generally makes all appointments to *non-DSO* affiliate boards---as well as to DSO and HSSO boards if the Chair opts to give effect to the BOT Resolutions, rather than exercising the Chair's discretionary statutory authority to make an appointment.

² Creation of new non-DSO affiliate approved by BOT R09-50, January 14, 2009. Pursuant to BOT R09-61, September 11, 2009, creation will be done at an appropriate time determined by the UF President.

³ [Recategorized pursuant to BOT Action Agenda Item GV1, April 3, 2015.](#)

University of Florida Investment Corporation⁴
University of Florida Development Corporation⁵

2. University of Florida Direct Support Organizations, Health Services Support Organizations or other affiliated boards that should include a designated non-Trustee representative of the University of Florida Board of Trustees as a member.

Citrus Research and Development Foundation, Inc.⁶
Citrus Research and Education Foundation, Inc.
Florida 4-H Club Foundation, Inc.
Florida Foundation Seed Producers, Inc.
GatorCare Health Management Corporation⁷
Southwest Florida Research and Education Foundation, Inc.
Treasure Coast Agricultural Research Foundation, Inc.
University of Florida Leadership and Education Foundation, Inc.
Florida Clinical Practice Association, Inc. (College of Medicine)
University of Florida Jacksonville Physicians, Inc.
University of Florida Jacksonville Healthcare, Inc.
University of Florida Alumni Association, Inc.
The University of Florida Law Center Association, Inc.
UF Historic St. Augustine, Inc.⁸

3. Other boards that should include a designee of the University President as a member with a report of such designees to the Board of Trustees.

University of Florida College of Nursing Faculty Practice Association, Inc.
University of Florida College of Pharmacy Faculty Practice Association, Inc.
Faculty Associates, Inc. (College of Dentistry)
Florida Health Professions Association, Inc.
University of Florida Health Care Education Insurance Company, Inc.
~~Shands Jacksonville Healthcare, Inc.⁹~~
~~Shands Jacksonville Medical Center, Inc.⁹~~
Florida Veterinary Medicine Faculty Association, Inc.⁹
Faculty Clinic, Inc.⁹
University Village Apartments, Inc.⁹

History: New 09-07-2001. Revised 03-17-2009; 06-11-2010; 03-17-2011; 09-21-2012; 04-03-2015

⁴ Categorized pursuant to BOT Action Agenda Item 5.13, June 14, 2005

⁵ DSO approved by BOT Action Agenda Item GV1, March 17, 2011.

⁶ DSO approved by BOT Action Agenda Item GV2, March 17, 2009.

⁷ DSO approved by BOT Action Agenda Item GV , September 21, 2012

⁸ DSO approved by BOT Action Agenda Item GV1, June 11, 2010

⁹ ~~Recategorized pursuant to BOT Action Agenda Item _____, April 3, 2015. 5.18, June 14, 2005.~~

⁹ Overlooked in 2001 listings, but has been treated as Category 3 with Presidential designee.

EXISTING CONTROLS FOR UF DIRECT SUPPORT ORGANIZATIONS (DSOs)

UF BOARD OF TRUSTEES GOVERNANCE COMMITTEE
MARCH 21, 2013—**UPDATED APRIL 2015**

OVERVIEW OF CONTENTS

- Creation/Purpose
- Board and CEO Controls
- Financial Oversight
- Shands Oversight
- DSO Appearances

CREATION/PURPOSE

- **By Statute, UF and/or BOG Policies:**
 - UF Board Action Is Required To Create DSOs
 - Exclusive Purpose Is to Support UF's Mission
 - The UF Board (or President as Authorized Designee) Approves DSO Articles, Bylaws, Policies, Plans, Tax Exemption Application

BOARD AND CEO OVERSIGHT

- 2007, Governance Chair/then Board Chair Mac McGriff Led Initiative to Establish Consistent Principles and Bylaws Across DSOs
- Office of the UF VP/General Counsel Reviewed and Revised All Bylaws – DSO Boards Adopt

BOARD AND CEO OVERSIGHT

- **UF Policy – By UF Board Action:**
 - Each DSO Is Categorized 1, 2, or 3 for UF Oversight, Depending on Its Scope, Complexity, Activity/Exposure
 - 1: Requires UF Trustee On DSO Board*
E.g., Foundation, Research Foundation, Athletics Assoc., Investment Corp.
 - 2: Requires Non-Trustee Board Rep. on DSO Board (may be, but not necessarily, a Trustee)*
E.g., St. Augustine DSO, Health HSSOs, IFAS Research/Education Foundations
 - 3: UF President Rep.*
E.g., Practice Plans (not DSOs)

*Appointed by UF President, Unless BOT Acts In Particular Cases

BOARD AND CEO OVERSIGHT

- **Statutory/Regulatory/Policy Controls**
 - UF BOT Chair (or President as Delegate) May Appoint a Representative to DSO Board
 - UF President or Designee Serves on Board and Executive Committee and Approves Audit Charter
 - UF President Approves DSO-CEO's Hiring
 - CEO Reports to UF President and DSO Board
 - CEO May Be Removed For Cause or Unacceptable Performance by UF President After Consulting with DSO Board
 - DSO Board Members May Be Removed For Cause by UF President After Consulting with DSO Board

FINANCIAL CONTROLS

- **Each DSO Is Required to Have An Audit Committee and Annual Audit by An Independent CPA**
 - Audit Report and Management Letter Must Be Submitted to UF President or Designee
 - Audit Report and Management Letter Must Be Reviewed by UF Board Audit Committee

FINANCIAL CONTROLS

- **Each DSO Is Required to Adopt Annual Budget**
 - Proposed Budget Must Be Submitted to UF President or Designee for Approval
 - Annual Report on Budget and Financial Performance of Each DSO Must Be Made to UF Board Finance and Facilities Committee

SHANDS OVERSIGHT

- Shands Entities Are Not DSOs
- Have Separate Statutory and UF Board-Imposed Controls
 - Primary Purpose Is Support of UF's Health Affairs Mission
 - UF Board Approves Shands' Articles
 - Articles Control Shands' Bylaws and Amendments
 - UF President or Designee (Sr. VP Health Affairs) Chairs and Appoints Shands' Board
 - UF Trustee is on Gainesville Board—President Designee on Jacksonville Board
 - April 2015: UF Trustee to be on Jacksonville Board
 - UF President or Designee (Sr. VP Health Affairs) is President of Shands UF

SHANDS OVERSIGHT

- Shands CEO Reports to Shands Board and President (UF President or Designee)
- Shands General Counsel Reports to CEO and UF General Counsel (as “parent company” GC)
- Shands Financial Statement Summaries Are Attachments to UF’s Financials, Reviewed by UF Finance and Facilities Committee
- UF Trustee and/or President or Designees Are On Shands Boards Which Fully Review Financials
- Creation of Shands Subsidiaries Requires UF Board Approval

DSO APPEARANCES

- Beginning June 2004, Several DSOs Presented at UF Board Governance Committee Annually (Rotating)
- Governance Chair/Then Board Chair McGriff's 2007 Initiative on Uniform Principles and Bylaws For Consistent, Good Oversight Practices Were Determined More Effective
 - UF President Has Good Oversight of DSO Management and Is Accountable to UF Board
 - UF Board Has Governance Oversight Through Board Seats and UF Board Committee Review of Audit Report and Financials
- Discussion? **Category 1 Affiliates Presented Governance/Risk Management To Governance Committee**

NEXT STEPS – CATEGORY 1 AFFILIATES

- Priority Actions” –Requiring UF President or Designee to Vote Affirmatively for These Actions to be Effective
- Piloting With The UF Foundation and Research Foundation
- Priority Actions:
 - Financial, Investment, Debt, Other Key Policies, Related Decisions
 - Expenditure Authority Thresholds, Budget Approval
 - Board Chair and CEO Appointment/Removal
- UF President, Designee May Be Member of Any Committee