



**UNIVERSITY OF FLORIDA BOARD OF TRUSTEES'
COMMITTEE ON GOVERNANCE
COMMITTEE MINUTES
January 30, 2017
123 Tigert Hall
University of Florida, Gainesville, FL
Time Convened: 1:00 p.m. EST
Time Adjourned: 1:15 p.m. EST**

1.0 Verification of Quorum

After a roll call, Vice President, General Counsel and University Secretary Jamie Lewis Keith confirmed a quorum with all members present, except Trustee David M. Thomas who was unable to attend.

Committee Members:

Mori Hosseini (Chair), David L. Brandon, James W. Heavener, Rahul Patel, Steven M. Scott, Anita G. Zucker. Trustee David M. Thomas was unable to attend.

Others present are:

Trustees Leonard H. Johnson, Marsha D. Powers, Nicole LP Stedman, Robert G. Stern, Susan D.C. Webster; W. Kent Fuchs, President; David Guzick, Senior Vice President for Health Affairs and President of UF Health; Ed Jimenez, Chief Executive Officer, UF Health Shands; Michael McKee, Vice President and Chief Financial Officer; Jamie Lewis Keith, Vice President, General Counsel and University Secretary; Melissa Orth, Senior Director, Government Relations, and Assistant University Secretary; Brigit Dermott, Executive Assistant; Sandy Mitchell, Legal Assistant; and other members of the University community and media.

2.0 Call to Order and Welcome

Committee Chair Mori Hosseini called the meeting of the Committee on Governance to order at 1:00 p.m. EST and welcomed the Committee members and all those in attendance.

3.0 Review and Approval of Minutes

Committee Chair Hosseini asked for a motion to approve the minutes of the January 13, 2017 Committee meeting, which was made by Trustee Brandon, and a second, which was made by Trustee Zucker. Committee Chair Hosseini asked for further discussion, after which he asked for all in favor of the motion and any opposed and the motion was approved unanimously.

Committee Chair Hosseini turned the Committee's attention to the Action Item.

4.0 Action Item

The Committee considered the following Action Item:

GV1. Shands Debt

Committee Chair Hosseini introduced the action item noting that UF Health, including Shands entities, is a major contributor to the university and the state. He noted that UF Health would be the focus of a future Board meeting. He then asked Ms. Keith to present GV1.

Ms. Keith noted the following:

The University of Florida Board of Trustees' Committee on Governance is undertaking a Governance Enhancement Initiative. Among many other aspects of the initiative, University leadership and Committee on Governance Chair Mori Hosseini have worked with leadership of the Shands entities in Gainesville and Jacksonville to formulate good practices for

- (1) enhanced UF Board engagement respecting Shands Entities' debt,
- (2) enhanced Shands Entities' processes and procedures for assessment, approval and reporting of debt, and
- (3) an enhanced Shands Entities' framework for decision-making on debt, consistent with state-level due diligence.

Committee Chair Hosseini has reported to the Board of Governors that our objective is to increase information and accountability for decision-making, without fundamentally changing the character of the UF and Shands entities' relationship, or the character of the Shands entities as distinct private legal entities. The character of the UF and Shands entities' relationship and of these entities as distinct private entities have resulted in an almost 40-year record of rating agencies, creditors and courts treating Shands entities' and UF's/the state's assets, debts and liabilities as separate.

Consequently, it is important to have good governance standards tailored to Shands entities' particular character and circumstances. Committee Chair Hosseini and the Trustees working on the enhanced governance initiative favorably reviewed the enhanced governance standards for Shands entities' debt described in this Action Item.

Ms. Keith then discussed the specifics of the Action Item.

Enhanced UF Board of Trustees Engagement are proposed.

- Before the UF President or designee's appointment of a UF Trustee or other director to each Shands Entity Board becomes effective, the UF Board must ratify the appointment, with recognition of the responsibilities (outlined in the standards) that the UF Trustee will have as a member of the Shands Entity Board regarding prudent decisions on its debt.
- For informational purposes, the UF President shall inform the UF Board Chair and Vice Chair before a vote on debt and the UF President or his or her designee will then inform each UF Trustee, including by providing a copy of the completed debt form; while this information is expected, it shall not be a condition to the effectiveness of the UF President's vote on such debt.

Enhanced Shands Process & Procedures are also proposed.

Each Shands Entity's Bylaws will include the following provisions:

- The UF President and the UF Trustee serving on the Shands Entity Board, in their respective capacities as a Director or the Member of each Shands Entity or its parent corporation, must vote in the majority of the Shands Entity Board approving debt (whether as a budget line item or as a separate action) in order for that approval to become effective.
- Each Shands Entity, on at least a biannual basis, will include as part of its regular financial reporting, a section on its debt and any changes since the last report. This financial reporting including on debt, and all rating agency reports, will be provided to all members of the Shands Entity Board (including the UF President and UF Trustee). Shands Entity financial reports and rating agency reports have long been provided to UF's Chief Financial Officer as part of the financial reporting process.

There is also a proposed Framework for Decision Making Consistent with State Level Due Diligence

- For ease of understanding, as part of its debt approval process, each Shands Entity will adopt and use forms that are substantively the same as applicable portions of the forms used by the Board of Governors, University, and Division of Bond Finance for data and analysis of proposed debt. The completed forms will be provided to the entire Shands Entity Board (including the UF President and UF Trustee) for consideration prior to taking action on a request to approve debt.

- The UF President will share Shands Entities' financial reports (including debt) and rating agency reports with the UF Board of Trustees.
 - The UF Board of Trustees will provide these reports to the Board of Governors.
 - The Board of Governors will provide these reports to the Division of Bond Finance.
- The Board of Governors favorably reviewed these standards at its January 26, 2017 meeting. There will be a report to the Governor's Cabinet on these steps being taken, but we do not at this time expect that any formal action will be taken by the Cabinet. We will explain why it is in the best interests of the State to preserve the separate debt status of Shands entities, with the appropriate steps outlined above.
- The Governance Committee is asked to approve these Shands Debt Standards, and to recommend to the full Board that it approve on them on the Consent Agenda.
- Upon adoption by the UF Board, Board Chair Heavener and Governance Committee Chair Hosseini would request and expect that each Shands Entity's governing board and management adopt the standards and amend its Bylaws accordingly, as appropriate.

Committee Chair Hosseini asked if there were any questions for Ms. Keith, Dr. Guzick or Mr. Jimenez. Trustee Brandon commented that he applauded the efforts of the governance enhancement working group and Dr. Guzick for his leadership in putting forward these solid oversight measures. The Committee members indicated concurrence.

Committee Chair Hosseini asked for a motion to approve Committee Action Item GV1 for recommendation to the full Board for its approval on the Consent Agenda, which was made by Trustee Brandon and a second, which was made by Trustee Zucker. The Committee Chair asked for any further discussion, after which he asked for all in favor of the motion and any opposed, and the motion was approved unanimously.

5.0 Discussion/Informational Items

There were no discussion/informational items.

7.0 New Business

There was no new business to come before the Committee.

8.0 Adjourn

After asking for any further discussion and hearing none, Committee Chair Hosseini asked for a motion to adjourn the meeting, which was made by Trustee Zucker, and a second, which was made by Trustee Brandon. The meeting of the University of Florida Committee on Governance was adjourned at 1:15 p.m. EST.