



The Foundation for The Gator Nation

Board of Trustees

Minutes

June 12, 2009

A regular meeting of the University of Florida Board of Trustees was held on Friday, June 12, 2009 in 215B of Emerson Alumni Hall.

The meeting was called to order by Chair Dianna Morgan at 10:45 a.m. and a quorum was confirmed. Ms. Morgan asked President Machen for the President's report.

Dr. Machen began by officially welcoming new Trustees Jack Mecholsky and Jordan Johnson, noting they have already contributed richly to the meetings.

President Machen noted that this is the end of the academic year for the University and a time to remember everything that has happened during the year. He believes Frank Bova's letter said it all - that we have made reasonable decisions based on what we understand regarding the process. Dr. Machen observed that the academic program continues to thrive and that it's uplifting to participate in the graduation experience. He thanked Provost Joe Glover and Associate Provost Zina Evans for their efforts in bringing a fall freshmen class that will be the highest achieving freshmen in UF history.

Vice President Win Phillips has indicated that research awards are up, without including stimulus money, and a report from Vice President Paul Robell regarding our fundraising activities shows that we remain on track with the Florida Tomorrow Campaign. At a time when construction has halted at other universities and buildings are being left unfinished, we will break ground soon for an office building on the east Gainesville campus and that construction has begun on Hough Hall and the Harn Museum expansion. These are all positive, healthy signs for UF and reflect what happens on campus on a regular basis. We are committed to serve the state of Florida and have a world-wide mission and are making significant accomplishments around the world.

Win Phillips is on his way to Japan for a research meeting. Joe Glover attended the Canary Islands for the opening of the world's largest telescope, with UF being the only US university playing a major official role in its development. I have been asked to visit Indonesia with other university presidents. We are recognized as an international institution.

We have taken on significant challenges to revise the budget and Chuck Frazier, Interim CIO, has a master plan we are about to launch for IT. In the Health Science Center, Moffitt continues to move forward to help improve the quality and care for people in the state and

region. We have had significant administrative restaffing. Joe Glover is doing a stellar job in his first year as provost. David Guzick will be landing in Gainesville any moment and will be here for the next few days, beginning full time July 1st. We are beginning the search for the new Vice President for Development and Alumni Affairs; Paul Robell will maintain his role through the campaign.

President Machen noted that times like this offer us a chance to make changes so that as the economy turns around, we are prepared to move forward. We are still waiting for the stimulus money, but are led to believe it's on the way and will help maintain instructional programs intact. We have to complete the budget reductions and it will be done with full campus input with a pledge to the campus that the number one priority next year is to identify raise programs for our faculty and staff. There are none this year other than promotional. We have to maintain our position and we have to find a way to compensate our hard working faculty and staff.

This will likely be Doug Barrett's last Trustee meeting – a true warrior and a friend to all of us. He's the reason this university is as good as it is and he has devoted his time and energy to making us better. Lastly, I personally thank the Trustees for their support and contributions. This year was overall as successful as it could have been and I'm looking forward to next year – the best is ahead of us.

Chair Morgan requested the reports from the chairs of the committees. The Committee on Audit and Operations Review was presented by Trustee Joelen Merkel. Mrs. Merkel noted the minutes from the March 16th meeting were approved and there were no consent agenda items for consideration by the committee. Phil Ciano, Auditor Supervisor with the Auditor General's Office, provided an update on external audit activities. He reported that preliminary fieldwork has begun on the financial audit for the FYE June 30, 2009 and discussed materiality levels that will be used to determine required audit adjustments and/or reporting to university management, and written representations that will be requested from management. The anticipated release date for the financial audit is January 2010.

Mr. Ciano then reported on the federal financial assistance audit which is conducted in accordance with A-133 and includes our two "major" programs of Research and Development, with expenditures in excess of \$300 million, and Student Financial Assistance, with expenditures in excess of \$200 million. Preliminary and tentative findings will be released by November, with the final report due to be released by March 31, 2010.

Mr. Ciano also noted that the operational audit, performed every two years using a risk-based approach, is wrapping up. P&T findings are expected in early September. He stated the Bright Futures audit will begin in the fall with the final report due in March 2010.

Brian Mikell presented the three internal audits that had been issued since the last Board meeting. The reports included were: 1) Benefits Accounting and Management; 2) Cashiering and Collections; and 3) UAA Payroll. The reports and summaries had been previously provided for detailed review, so questions were minimal. Brian also reported on follow-up status of previously issued internal and other audits.

Brian addressed the current status of the BOG Inspector General 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 IG charter was presented to and approved by the BOG audit committee on May 19. Final charter will be presented for ratification at the June 18 BOG 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 audit of the University of Florida Leadership and Education Foundation, with a December 31 fiscal year-end.

Trustee Cindy O'Connell presented the report of the Committee on Educational Policy and Strategy. She noted the following consent agenda items were unanimously approved. Eight tenure upon hire cases that included the new Senior Vice President for Health Affairs, the director of the Honors Program, and the chair of neurology. 2009-1010 Baby Gator fee increases were approved with 2-5% increases, depending on the age of the child. Pursuant to the Governor's initiative last fall, the Board of Governors established a process for formally requesting differential tuition. The tentative proposal was submitted to the BOG with Chair Morgan's approval contingent on the Board of Trustees' approval. The university is requesting approval for the maximum 15% increase. The Legislature increased base tuition by 8%, thereby leaving 7% to be differential tuition. Additionally, the university proposes to establish tuition rates in all categories – undergraduate, graduate and professional. The committee reviewed nine regulations that included clearly defining the term "hazing," modifying funding of courses used to benefit employees, eliminating retention points and bumping rights, establishing tuition rates for the 2009-10 academic year, and awarding of emeritus status by the president. The Doctor of Business Administration was removed from consideration on the consent agenda. The proposal to establish the Master of Science in Biostatistics was approved in support of the ongoing accreditation process in public health for the College of Public Health and Health Professions, and because it is an outdated degree and no longer in use, the Doctorate in Computer and Information Science is being terminated.

The committee recommends for approval 5 nominees for honorary degrees: Professor Lourdes Arizpe, Professor Fuller Bazer, Mr. Stanley Drucker, Mr. Arnold Mesches, and Professor Per Pinstrup-Andersons.

The committee recommends to the Board another outstanding group of annual tenure and permanent status faculty recipients.

The committee recommends approval of the proposal submitted, by the Florida Center for Library Automation (FCLA). FCLA is required by the BOG, to submit an Academic Infrastructure Support Organization, laying out the administrative structure and functioning of the FCLA.

The Annual Facility Security Clearance resolutions were approved by the committee. The first resolution states the Trustees will not be given access to classified materials, and the second designates Win Phillips as the official designated to deal with such materials.

The committee received an update from the Faculty Senate Chair regarding the budget process and outcomes, the RCM (responsibility-centered management) and that definition of academic units will be a big discussion in the fall Senate along with a committee charged with completing UF's 5 year academic calendar.

Associate Provost Bernard Mair gave an update on the Undergraduate Task Force Report, including its vision and mission statements. The report determined that UF has 5 of 8 areas in common with its peer institutions, but improvements need to be made in other others. The 3 areas found to be deficient include: the Honors Program, undergraduate instruction/faculty-student ratio, and undergraduate research/creative work. A timeline was proposed suggesting fall 2010 for implementation of a plan.

The committee was informed of the Departments of Botany and Zoology merged to become the Department of Biology; new departments created were the Environmental and Global Health in the College of Public Health and Health Professions and the Department of Oral and Maxillofacial Diagnostic Sciences in the College of Dentistry; and also created was The School of Physician Assistant Studies.

Updates on admissions were received and for the first time at UF, women make up 60% of the incoming freshman class, a national trend.

Nationally, there are initiatives by the Sloan Foundation and the National Science Foundation to establish Professional Science Master's Degrees which combine advanced, discipline-specific coursework with activities that develop communication and technical skills that are highly valued by nonacademic employers. These degrees target the biological, physical, engineering, and mathematical sciences.

Lastly, the committee received an update on the expansion of the SW Recreation Center. The new center will have a track, activities area, expanded offices and will include new services such as personal training. Groundbreaking is set for July 22nd with the hope to open the facility by August 2010.

Trustee Carlos Alfonso presented the report of the Committee on External Relations. The minutes of the March meeting were approved. The committee began the meeting by passing a resolution honoring Randy Roberts, a UF alum and co-chair of the Governor Relations Advisory Committee, who passed away in April.

The discussion portion of the agenda began with an update on the grassroots program Gators for Higher Education that was started in February. Since then, 3000 alumni and friends have signed up to be advocates for UF and we asked these volunteers to contact their Legislators on behalf of the UF legislative agenda three times. In response, they generated 1,000 emails or faxes to their representatives and senators. Committee members suggested that efforts be focused on increasing membership in Miami and Tallahassee. Trustee Cunningham encouraged the use of Facebook, and Trustee Johnson urged that students be included in the program.

Next, the committee viewed a presentation on pending federal funding proposals. The University of Florida submitted 23 research proposals to members of the Florida Congressional delegation for consideration in appropriations bills. A total of 15 proposals were forwarded to the House and Senate Appropriations Committees from various Florida members. The

appropriations committees will meet over the summer and we expect more information at the next committee meeting. UF also has submitted proposals for funding in the National Defense Authorization bill and the Transportation Authorization bill.

The American Recovery and Reinvestment Act provides funding opportunities for UF, primarily from federal agencies making competitive research awards. UF has submitted 381 proposals to date. Already \$1.7 million in stimulus funds have been awarded to UF and applications for stimulus funds for facilities and energy efficient improvements are being considered.

The committee was informed that UF's contract for representation in Washington, DC will be open for bids.

Turning to state government relations, committee members were briefed on the results of the legislative session. Despite economic challenges and the resulting budget cuts, UF did receive funding for various programs. The College of Medicine received an additional \$5 million, the Lastinger Center received \$1.2 million, the McKnight Brain Institute received \$500,000 and \$100,000 was restored for the Veterinary Medicine Racing Lab. In addition, \$50 million from tobacco tax revenues will be made available for cancer research in the state.

The legislature also passed legislation that mandates the development of a funding formula for the College of Medicine to ensure funding parity, allowing unfunded Courtelis projects to remain eligible for state matches and operational funds and permitting UF to build a columbaria on campus.

Trustee O'Connell commended Florida Blue Key for its efforts in support of UF during the legislative session, including a reception at the Governor's Mansion.

University branding was discussed next and the committee opened with a discussion of the communications reorganization proposal that was presented as part of President Machen's budget request. Associate Vice President Joe Hice explained that the proposal was to create an agency-type communications organization with units focused on Design and Creative Services, News and Editorial Services, Public Relations and Account Services and Strategic Planning. He said the proposal generated considerable discussion among UF communicators and he believed a "hybrid" version of the proposal probably made more sense on campus given the diverse nature of the colleges and units. A final recommendation is to be presented to Dr. Machen by October 31.

Chairman Alfonso said he and the committee are in favor of the reorganization effort in a manner that made sense for UF and requested an update at the next meeting.

Joe then discussed the Strategic Communications Planning initiative just launched with Debra Amirin of the UF Law School chairing the committee. Key faculty participating include, Dr. Richard Lutz, Dr. David Denslow and Dr. Linda Hon, along with leadership of communications across campus. Trustees recommended the UAA and students be represented in the process and alumni communications professionals be consulted. The initial draft will be completed by October 31, and a final draft submitted to Dr. Machen in early January 2010.

A new "Remember When" television commercial was presented to the committee and will air beginning in August. Joe said he believed the work was as good as any in the nation.

A quick review of a focused public relations effort around UF Research followed. Explore Magazine, the UF News Bureau, Sponsored Research and the Office of Technology Licensing will be working closely together on the outreach.

Think Before You Ink! reached the 12-month mark and as a result, UF has saved more than \$1.4 million in recurring expenses. About 199 publications have been modified or reformatted for an electronic delivery format and new copy contracts have resulted in savings ranging from 20% to 35%.

Finally, an overview of UF's print and broadcast media efforts were highlighted. Once again, UF ranks in the top five for print and web outreach and first when it comes to broadcast media.

The Committee on Finance and Facilities meeting was reported by Trustee Al Warrington. The minutes of the March 16, 2009 meeting were approved. A proposed amendment to the 2008-09 university operating budget and the final operating budget for the 2008-09 fiscal year were presented to the committee and approved as requested. The amendments reflected changes in the cost of insurance as well as recorded faculty practice plan revenues and expenditures.

The preliminary operating budget for 2009-10 was reviewed by the committee and approved as presented. At the September Board meeting, a budget amendment will be presented to allocate the expenditure of the \$42 million stimulus funding to the non-recurring expenditure categories for which these funds were used. The committee clarified that the \$6 million transfer from the University Athletic Association was not included in the preliminary budget. Trustee Warrington emphasized that the UAA provided funds for academic purposes and no academic funds are used to subsidize the UAA.

The proposed 2010-11 fixed capital outlay legislative budget request was discussed by the committee and approved as presented. There are no changes to the request from the last time it was present to the board. In response to committee questions the process for placing projects in the budget request was explained, and the continuing efforts by the university assure future funding from the Facility Enhancement Challenge Grants were discussed.

The 2009-10 facilities spending plan for monies appropriated by the legislature for PECO and Maintenance/Repair/Renovation/Remodeling was provided to the committee, discussed and approved as recommended. The university received \$21.9 million in appropriations.

Agenda discussion items were then brought before the committee, beginning with a presentation of the Archer Road project. This will provide a grand entrance to the UF Health Care Park, where approximately \$1 billion in construction is underway or will occur in the near future. The changes will lower speed limits on Archer Road, improve signage and a more friendly environment for automobiles, bicycles and pedestrians. The committee commented on the positive nature of the project and the benefits it will provide.

The University financial report as of March 31, 2009 was presented to the committee. It was noted by the committee that investment losses were reduced from those presented for the prior quarter.

A construction update was provided to the committee. It was noted that recent construction bids continue to be lower than projected, the number of bidders for projects is increased and there are more sub-contractors competing for work on university projects. All these factors are helping to reduce construction costs on new projects.

The committee was given a brief update on utility costs. In the current fiscal year the university will end up with approximately \$1.5 million deficit in funding because of Progress Energy rate increases during the year. On July 1, 2009 Progress Energy will increase utility rates by 2% and an increase of 8% is expected in January 2010. Between \$5 and \$8 million will be required to fund these utility increases.

State revenue collections for the first quarter of 2009 were discussed. General revenue collections for the quarter exceeded projections, and this is the first quarter in two years that collections exceeded projections.

The proposed increase in 2009-10 student tuition and fee increases were briefly discussed. The Educational Policy and Strategy committee discussed the proposed increase at their meeting today.

Two university employees were presented to the committee for recognition of their dedicated service. Julie Rhee, an accounting coordinator responsible for general ledger control and integrity who last month became a U.S. citizen and is a Certified Internal Auditor and Certified Public Accountant and Glenn Ketcham, Director of the University's Risk Management Program. His department works to reduce risk and exposure to the university, ensure adequate insurance is in place to protect against perils and provide emergency planning to the campus. 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 approved the Resolution Authorizing the University President to Approve and File the Application for Federal Tax Exemption and Other Documents for Citrus Research and Development Foundation., Inc. This is item GV1 on the consent agenda.

The committee then discussed the recommendation for the election of a Chair to succeed Dianna Morgan upon the expiration of her term. Trustee Scott moved that the committee recommend the election of Vice Chair Mac McGriff to the position of Chair. Trustee Alfonso seconded the motion. After discussion during which each committee member offered laudatory comments with regard to Mac's board-scope knowledge of UF and long service to the University, the committee unanimously approved the recommendation.

The committee next discussed the recommendation of a Vice Chair to succeed Vice Chair McGriff. Trustee Scott moved that the committee recommend the election of Trustee Carlos Alfonso to the position of Vice Chair. Trustee Ponce seconded the motion. After discussion during which the committee members praised the dedication of Trustee Alfonso and his expertise

in outreach on the University's behalf, the committee unanimously approved the recommendation. This completed our action items.

Vice Chair McGriff asked that the scheduled discussion regarding the creation of a Trustee Emeritus position be tabled. President Machen was asked to consider how the University should appropriately recognize prior trustees.

Mike Smith, UFICO's CEO, gave a short presentation to the committee on some restructuring of UFICO's investment vehicles that will permit greater flexibility for the University and the affiliated entities for whom UFICO manages investments. There was also some discussion regarding possible expansion of UFICO's investment management activities to other non-UF organizations. UFICO will develop a plan for presentation and discussion at a future meeting.

The committee then met in closed session to receive a report with regard to the status of the University's collective bargaining processes.

Trustee Mac McGriff provided the report of the Committee on Resources. The minutes of the March 16, 2009 meeting were approved. Paul Robell provided a campaign update for the committee, noting that as of March 31, the campaign totaled \$898.6 million, which is approximately \$88 million ahead of pace for our \$1.5 billion goal. There is still some work to do in pursuing the very highest gifts (\$50, \$75, \$100 million). The fundraising efforts continue to see our traditionally high ratio of cash to pledges, at approximately 50/50.

Mike Smith then provided an update regarding UFICO and the endowment. UFICO hired a full-time COO, Ed Kelly, in March. This will allow Peter Landauer to spend more time in establishing UFICO's long-term pool concept, which may provide an opportunity for external foundations to invest in UFICO. This is in the very earliest concept stages, with more analysis and exploration required.

Mike provided some overview of the economy, noting that volatility measures have dropped some, though a recovery is likely to be slow not rapid. Government intervention continues to broaden. Mike noted that while there may be some short-term risk of deflation, the risk that they are watching closely is the long-term risk of inflation.

Stock valuations are up since March, and the endowment was up 2.5% in May. For the calendar year-to-date, the endowment is up 1.17%. For the fiscal year, it was down about 18%. Mike noted that the annualized return since UFICO's inception is +4.55%.

UFICO's equity exposure has remained in the 18%-25% for the calendar year, which helped returns in January and February and probably left a little gain on the table in the last couple of months. The returns continue to rank among the top 10% in the mid-size endowment universe.

There was additional discussion about the long-term pool for external foundations, noting that much more work is still to be done in planning here.

Chair Morgan directed the Board to the consent agenda, reminding the Board of the three amendments EP5, EP9 and E10 and the removal of the Doctorate in Business Administration. Trustee Warrington motioned to approve and Trustee O'Connell seconded.

A request was made for any new business. As there was no new business, Chair Morgan brought the Board's attention to the recommendation from the Governance Committee and noted the resolution in everyone's materials. She commented it is a great pleasure to endorse the Committee's recommendation. Trustee Warrington seconded and the vote was unanimous.

Chair Morgan then asked to take this opportunity to thank Trustees McGriff and Alfonso for stepping up and taking the lead. She noted Mac McGriff has committed more hours to the university than all of us combined and he has been a wonderful partner as vice chair. He has an amazing ability to reason through difficult times and works to find solutions to difficult issues and he will be great leadership and I appreciate it love for his place. I want to recognize Carlos' contributions – he has done particularly extraordinary work in external relations, a grass roots effort off the ground and working and the level of participation and effectiveness of this group is amazing. Thank you for your effectiveness in Tallahassee. The McGriff-Alfonso team will be terrific.

A request for public appearance was made by Paula Cunningham who spoke to the board regarding the layoff regulation. Chair Morgan thanked Ms. Cunningham for her comments and noted that this is a difficult issue that allows the university to ensure that the most qualified and experienced employees can continue to work.

Chair Morgan continued by noting this was a great meeting to have the ability to focus on research. We really enjoyed our time with the faculty yesterday and last night. Thank you to Dr. Phillips for putting this all together. She thanked everyone for their support over these last two years. She observed that once in a while in life you get everything lined up and this was one of those times – to work with and help the institution that she loves – it has been an absolute pleasure. It has been a challenging year. The board's work and mission has been about protecting and securing the institution and to protect against more severe cuts and the mission in the state and securing the university and working very hard to create a new financial model that will better secure our future. A great effort was led by Dr. Machen, and our University Relations team worked hard on and you contributed to this. She challenged that, in days ahead, as more is asked of our students, we have to ask more of ourselves. With the undergraduate education task force, some of our more important work is going on, to take a look at the undergraduate experience, benchmark with the best and understand where we have improvement and opportunity and where we can made that extra improvement. She thanked President Machen for making this a focus right now; making sure that our students get their money's worth. She noted the importance of pulling out of this period of budget restructuring and Matt Fajack's new restructuring of budget allocation going forward. She noted that she looks forward to continuing to serve with the board. She thanked President Machen and the Cabinet – all with the highest integrity and commitment to the university and noted that they made her job easy.

Trustee McGriff then said we need to acknowledge what a great job Chair Morgan has done for UF. She is the third chairman, following Mr. Criser and Mr. Fernandez. Each brought unique skills and visions that allowed us to do things none of our sister schools have done. Dianna was there every step of the way and it will be extremely difficult, if not impossible, to

replace what she has done. He hopes that Carlos and he can continue what Chairs Criser, Fernandez and Morgan have done. He stated that tough times are ahead but if we can do half of the job of our predecessors, we will be successful.

Dianna thanked Mac for his kind words and noted one person she should have singled out was Brian Beach. We all understand how committed he is and always anticipating and addressing solutions. Brian – thank you very much – you are absolutely the best.

The meeting was adjourned.