

MINUTES

COMMITTEE ON GOVERNANCE

JUNE 10, 2010

The Committee on Governance met on June 10, 2010. All Committee members were present.

The Committee approved the Minutes from its regular Committee meeting on March 15th and a special meeting held by telephone conference call on April 7, 2010. After noting one minor change to the April 7th Minutes, on motion made by Trustee Alfonso and seconded by Trustee Roberts, the Committee unanimously voted to approve the Minutes of each meeting.

The first action item was to recommend approval by the Board of a Resolution certifying the creation of UF Historic St. Augustine as a University direct support organization (DSO). Vice President and General Counsel Jamie Keith explained that in 2007 the Legislature enacted a statute directing the University to create a DSO that would be responsible for the historic preservation and operation of state-owned properties in St. Augustine. President Machen stressed that the University was invested with the full authority and responsibility for the properties. Vice President for Business Affairs Ed Poppell made a presentation to the Committee regarding the 2007 strategic plan and operational aspects of the new DSO and its responsibilities. He explained that in its recent session, the Legislature appropriated \$650,000 for this project so that it could move forward. Mr. Poppell noted that he is optimistic that the University, the City, the County and the local business community would be able to successfully work together to restore the properties, many of which house commercial activities. Legislative appropriations, fundraising and rental income from commercial tenants provide the funding. Trustee Roberts noted that this project presents a significant educational opportunity for the University's faculty and students and helps fulfill the University's responsibilities to the State of Florida. After some additional discussion, on motion made by Trustee Scott and seconded by Trustee Alfonso, the Committee unanimously voted to recommend the Board's approval of the Resolution to certify the corporation as a DSO.

The second action item was to recommend the approval of the amendment of Internal Operating Memorandum 01-1 to include the new DSO as a Category 2 affiliated organization. After a brief discussion, on motion made by Trustee Scott and seconded by Trustee Alfonso, the Committee unanimously voted to recommend this amendment.

The Committee then ratified its approval in a telephone meeting on April 7th of the creation of the Presidential Cabinet position of Vice President and Chief Information Officer, reporting to the Senior Vice President for Administration and Business Ventures. After a brief discussion, on motion made by Trustee Scott and seconded by Trustee Alfonso, the Committee unanimously voted to ratify the foregoing action. The Board has authorized the Governance Committee to approve amendments to the Cabinet structure, and no further Board action is required.

The Committee had three discussion items. First, President Machen, with Senior Vice President for Health Affairs, David Guzick, and Vice President and General Counsel, Jamie Keith, gave the Committee an update on the governance structure for the Shands entities and the UF Health Science Center. Together, Shands entities and the UF Health Science Center constitute the University of Florida Academic Health Center. Several objectives were articulated for UF and Shands in 2009, to position the UF and Shands health affairs enterprises to maximize their growth in reputation, market opportunities, and quality. It was desired that Shands UF's Board focus on its core mission and provide strong teaching hospital resources for the UF HSC, while allowing a parent company to focus on fostering strategic alliances and other ancillary activities.

The UF Board authorized the creation of the parent company in January 2009, and in September 2009 resolved that the parent would be formed at an appropriate time determined by the President of the University. It was also desired to bring Shands Jacksonville HealthCare, Inc. (Shands Jacksonville) into a sister—rather than a child-- entity role with Shands Teaching Hospital and Clinics, Inc. (Shands UF). Other objectives included maintaining separate corporate status and funding for each Shands entity and the UF Health Science Center, while also fostering close collaboration and efficient services across all entities and the HSC. David Guzick became the Senior Vice President for Health Affairs and President of the UF & Shands Health System at UF in July 2009. With the UF Board's authorization, President Machen designated Dr. Guzick as the Chair and President of Shands UF, and he also become the Chair of Shands Jacksonville and its Subsidiary, Shands Jacksonville Medical Center, Inc. (which operates the hospital in Jacksonville). With a few additional changes, Shands Jacksonville and Shands UF are being organized with similar governance structures, in which the University, through the President and Sr. Vice President for Health Affairs, has appropriate governance control. These developments have brought greater mission alignment and coordination across the Shands entities and the UF Health Science Center.

President Machen noted that, as the parent company structure was further evaluated, we came to realize that, with a common Board Chair at the helm of each Shands entity as well as leading the Health Science Center, we could achieve all of the objectives, with fewer legal restrictions and less complexity, if we did not create a formal parent corporation at this time. We will retain the authorization to create the parent in the future if warranted for a particular purpose and partnership. However, we will now organize a strategic Health Care Cabinet, convened by the UF President and the Chair of Shands UF and Shands Jax. The experts who would have been on the parent board will be members of the Cabinet. Each Shands entity's board will adopt a resolution to send all major strategic and financial actions to the Cabinet before taking these actions. The Cabinet will act in a critical strategic and coordinating advisory role, and the Board Chair of each Shands entity—who is also the convener of the Cabinet—will be in a position to effect wise decisions by the board of each Shands entity. Master Services Agreements among the Shands entities and the UF Health Science Center will ensure efficient services and coordinated operations across the system. Strategic alliances will be undertaken by the relevant

Shands entity after review by the Cabinet, and representatives of these outside partners can be given seats on the Cabinet without having voting control over the Shands entities. This is a structure that is similar to the one used at Johns Hopkins.

General Counsel Jamie Keith and Deputy General Counsel Barbara Wingo then provided a summary of the new Governance Legislation that was enacted to reflect the Board of Governors' settlement with representatives of the Legislature in the Graham lawsuit. Future Legislatures could make changes, but the new statute provides many benefits to the state university system. The Board of Governors' authority to empower University Boards of Trustees is confirmed in the statute. While the Legislature sets base tuition, the Board of Governors has broad authority to approve flexible tuition policies adopted by the Boards of Trustees. Each University may establish its own tuition policies.

The final discussion item was about holding a Board retreat in September. The Committee generally believed that this would be beneficial as it would permit, among other things, the Committee to focus on strategic issues as well to discuss issues which may have legislative importance when the legislative committees are meeting. It was also noted in the event that Board action was required for some matter, we could convene a brief formal meeting of the Board to take appropriate action. Trustee Alfonso noted that the proposed dates for the retreat preceded the USF football game and that it might be a good idea to plan an event for visiting USF officials who would be attending the game. President Machen said he would contact the USF President to discuss this further and Brain Beach would coordinate this effort once a general framework is decided upon.

The Committee then met in closed session to receive an update on UF's collective bargaining activities after which the meeting was adjourned.