



**COMMITTEE ON GOVERNANCE, GOVERNMENT RELATIONS
AND INTERNAL AFFAIRS**

Pre-Meeting Minutes

June 3, 2019

123 Tigert Hall, University of Florida, Gainesville, FL

Time Convened: 1:35 p.m.

Time Adjourned: 2:23 p.m.

Members present were:

Rahul Patel (Committee Chair), James W. Heavener, Leonard H. Johnson, Thomas Kuntz, Daniel T. O'Keefe, Marsha D. Powers, Jason J. Rosenberg, Ray G. Thomas, and Anita G. Zucker

Others present were:

W. Kent Fuchs, President; Michael V. McKee, Vice President and Chief Financial Officer; Amy Hass, Vice President and General Counsel; Curtis Reynolds, Vice President for Business Affairs, David Norton, Vice President for Research; Mark Kaplan, Vice President for Government and Community Relations and University Secretary; Alan West, Assistant Vice President and University Controller; Mike Ford, Senior University Counsel; members of the University of Florida community, and other members of the public and the media.

1.0 Roll Call

Board Staff conducted a roll call of all Committee and Board members present.

2.0 Call to Order and Welcome

Committee Chair Patel welcomed everyone in attendance and called the meeting to order at 1:35 p.m.

3.0 Discussion Items

Trustee Patel reviewed the following discussion items for the upcoming Committee meeting:

Citrus Research and Development Foundation, Inc. (CRDF) – Vice President Hass indicated that there had been discussions on the current operations, and they are looking at ways the DSO can comply with state statute and the university governance provisions. Further discussion and review are warranted.

3.1 Government Standards Update

- All DSO and Affiliate Organizations will have amended their bylaws to comply with new Governance Standards by the June 30, 2019 goal

- Consistent with the Governance Standards, bylaw amendments require the approval of UF President and BOT Chair and Notice to BOT Vice Chair
- Remaining include:
 - UF Health Shands
 - UF Gator Boosters
 - University Athletic Association

Trustee Kuntz thanked the committee for working to complete this major accomplishment.

3.2 DSO Review

- Review of all DSOs to determine whether the purpose for these DSOs are still valid and if not, whether we should dissolve such DSO
- Status document submitted to Governance Committee on May 21, 2019, and revised status document submitted on May 31, 2019
- UF Law:
 - Managing of funds now centralized in UF Foundation
 - No other UF Advisory Board is structured as a DSO
 - Provost Glover and Chair Patel presented decertification proposal to UF Law DSO Board on May 17, 2019
 - UF Law DSO Board passed a motion unanimously approving cooperating with decertification process (although DSO board vote not required to decertify)
 - UF BOT to vote on decertification at June 6, 2019 BOT meeting

Trustee Kuntz wanted to confirm that everything was done to ensure there would be no ripples effects on this decision. Trustee Patel confirmed that he and others fully vetted the Law DSO to ensure they had everyone's buy-in. The motion was unanimously approved the Law DSO.

Committee Chair Patel introduced Rick Dantzler, COO of the Citrus Research and Development Foundation, Inc. (CRDF). Mr. Dantzler discussed the purpose of the foundation and indicated ways the DSO could comply with state statute and the university governance provisions or part ways.

Trustee Kuntz expressed his concern with treating one DSO differently than others and that it would set a bad precedent. Committee Chair Patel said he would look into it.

3.3 Investment Committee Review

- Historical Investment Committee is a committee comprised of UF administrators which manages the investment of non-endowment UF operating funds
- Following a review of the governance of the Investment Committee at March 2019 BOT meeting, BOT discussed moving Investment Committee role to UFICO given that UFICO already has in place the infrastructure, governance structure, and expertise relating to managing and investing cash
- Since March 2019 BOT meeting, we have been working with UFICO and the UF CFO office to put together a document describing general protocols relating to UFICO management of these operating funds taking into consideration near term liquidity needs and long term liquidity needs

- Chair Patel and Bill Reeser, Chief Executive Officer & Chief Investment Officer, discussed with UFICO Board on May 23, 2019
- Operating Funds Policy Document submitted to the Governance Committee for input on May 31, 2019
- Operating Funds Policy Document scheduled for BOT approval at June 6, 2019 meeting

Definitions

- a) University Operating Funds (UOF) – Funds held for the benefit of the University, which are further designated as either Working Capital, Excess Capital or Reserves. These funds also include certain amounts held on behalf of the UF Health Faculty Practice Plans, UF Research Foundation, UF Foundations, and some other smaller DSOs. They do not include funds held by other DSOs and Affiliates, such as Shands Hospitals or UF Athletic Association.
- b) Working Capital – the portion of UOF required to meet current expenses (in accordance with the statute, cash needs and anticipated cash-flow requirements for 6 months) as determined by the CFO.
- c) Reserves – the portion of UOF determined to be long-term operating funds suitable for investment as established by the CFO and UFICO.
- d) Excess Capital – UOF not designated Working Capital or Reserves.
- e) Liquidity Allocation will generally invest in assets that can be readily liquidated to meet University needs. Includes cash, U.S. Treasuries, the State Treasury Investment pool and money market investments.
- f) Growth Allocation will generally invest in return generating strategies that are generally less liquid in nature or require a longer investment horizon to include “endowment” pool and its sub-portfolios, including public equities, hedged strategies, or private investments.
- g) Central Bank – the term used to describe the University’s program for the aggregation, administration, and accounting of all University cash.
 - Central Bank Loan Program – an internal program designed to make short-term (5 to 10 years) loans to departments/units within UF from the Central Bank cash. These loans were reviewed and approved by the Investment Committee (to be reconstituted). An example is the College of Medicine borrowed \$28m to complete the Harrell Medical Education Building to be repaid primarily from private donations.
 - Other Direct Investments – investment in other assets that have the strategic benefit to UF and are directly made on behalf of the University that are not covered by the UFICO Investment Policy Statement and are approved by the Board of Trustees. We currently have one such investment with an interest in a venture capital fund involving the transfer of technology originating from UF.
 - Strategic Fund - the investment income from the UOF investments which is used for strategic purposes as determined by the UF President, Provost and Vice President for Research

Allocation Policy

- CFO first determines Working Capital (currently \$200 million)
- At least annually CFO reviews Working Capital needs
- UFICO and CFO then determine Reserves (currently \$1.5 billion)

- Annually, UFICO and CFO review the size of Reserves based on Working Capital and Strategic Fund needs
- Remaining UOF designated Excess Capital

Investment Objectives

- The primary objective is to place the highest priority on the safety of UOF principal and liquidity.
- A secondary objective is to generate an investment return that meets annual strategic initiatives.
- A tertiary objective is to outperform the investment's pre-specified benchmarks.

Performance Measurement

- The total portfolio will be evaluated relative to meeting the primary investment objective (safety and liquidity) as well as the secondary investment objective (target funding for strategic initiatives). Additionally, the total portfolio will be benchmarked relative to a policy portfolio constructed using the target allocations and respective allocation benchmarks, as appropriate.
- The Liquidity Allocation and Growth Allocation will be benchmarked to a pre-specified benchmark as approved

Authorized Investments/Bid Requirement

- Investments in direct securities must be authorized by the Policy and bank accounts must be in qualified public depositories as defined by 280.02, F.S.
- Depository accounts, including interest-bearing accounts and direct securities purchased on behalf of the University, shall require, where feasible and appropriate, to be executed in a competitive bid environment. This does not apply to investments managed by UFICO.
- By the UFICO Board of Directors.

Trustee Kuntz confirmed that everyone is in agreement with the investment committee review and Vice President McKee confirmed. Trustee Heavener questioned which funds are not included (Athletics and Shands) and if we are comfortable with the process for those funds not managed by this policy?

3.4 Investigation Protocols

- BOT previously discussed adopting protocols to handle fact patterns that could give rise to internal investigations
- Investigation Protocols Document submitted to Governance Committee on May 21, 2019, and preliminarily discussed on May 22, 2019, Governance Committee meeting
- Revised Investigation Protocols Document submitted to Governance Committee on May 31, 2019
- UF BOT to vote on Investigation Protocols document at June 6, 2019 BOT meeting

Key Points:

- A standing Internal Review Committee (IRC) will serve as a regular working group responsible for reviewing complaints, evaluating the level of concern and developing a plan of action for the issues presented.
- The members of the IRC consist of:
 - Chief Audit Executive
 - Vice President and General Counsel

- Vice President for Human Resources
- Senior Vice President and Chief Operating Officer
- Chief Compliance Officer
- The IRC will meet regularly (currently weekly)
- Following the initial assessment, the IRC will assign the complaint status of Level 1, Level 2, or Level 3 – with Level 1 being the least serious and Level 3 being the most serious
- In cases where the IRC assigns the complaint Level 3, the COO will approve the plan to handle such complaint moving forward
- The COO and General Counsel will share Level 3 complaints and other appropriate complaint status updates with the University President and a designee of the UF BOT appointed by the BOT Chair for appropriate input
- Full and accurate cooperation of all university employees is required for investigations. In the event that cooperation is not forthcoming, the university management is required to compel accurate participation and take appropriate action

3.5 Facility Naming Protocols

- At the March BOT meeting, BOT discussed revising the protocols we have around naming facilities, colleges, schools, and other academic units
- Preliminary Naming Protocols Document submitted to Governance Committee on May 21, 2019, and preliminarily discussed at May 22, 2019, Governance Committee meeting
- Based on preliminary input, a revised Preliminary Naming Protocols Document submitted to the Governance Committee on May 31, 2019
- Preliminary Feedback:
 - Additional background on what peer institutions are doing
 - Combining policies and guidelines into one document
- Further detailed discussion during June 2019 BOT meetings
- Final approval expected during September 2019 BOT retreat

Certain Definitions

- “Facility” means any building, structure of permanence such as a stadium or tunnel, a major structural component of a building or any such structure such as a wing, floor, or central atrium, or a space within a building that is significant because of its size relative to the whole building or because it serves a significant academic, athletic, administrative, or public function
- “Space” means any non-structural space within a Facility such as an office, conference room, or nonstructural common area which does not otherwise fall within the definition of Facility above

Namings That Require BOT Approval

- The naming of any University Facility, Academic Unit, Site, or Outdoor Area (as defined in the policy) require BOT approval with the recommendation of the University President

Namings That Do Not Require BOT Approval

- Naming of any Space within a Facility or any University Program (all as defined in the policy), do not require BOT approval and may be approved by the University President
- The President shall consult with the BOT Chair and Vice Chair for Non-BOT Namings that involve a gift of \$1,000,000 or more or that otherwise raise specific issues of concern

Corporate or Organization Namings

- Donors who are corporations or organizations may be recognized by a Gift Naming
- These Entity Namings require more consideration and review than Namings for individuals to avoid actual or apparent endorsements or conflicts
- Entity namings will not be for longer than 10 years

Process

- Thorough process prior to recommending any name for approval as outlined in the Policy.

Removal of Name

- A Naming may be removed if a donor fails to fulfill the gift commitment (including with respect to the timing of gift payments) made in connection with the Naming or, in extraordinary circumstances, where continued use of the name would be damaging to the reputation of the University or otherwise significantly detrimental. The decision to remove a Naming may be made by the President in consultation with the BOT Chair and Vice Chair

Minimum Gift Requirements

- New Facilities generally require a gift of 20-50% of the private support for the Facility but not less than 15% of the total cost of the Facility, with a current gift of cash or cash-equivalent equal to at least such minimum threshold, payable over no more than five years with at least 20% of such minimum threshold paid in the first year (in any
- Event prior to the Naming being on such Facility) and with the balance of the minimum threshold generally payable on a pro-rata basis for the remainder of the five years
- Existing Facilities generally require a gift of 20-50% of the replacement value of the Facility, with a current gift of cash or cash-equivalent equal to at least such minimum threshold payable over no more than five years with at least 20% of such minimum threshold paid in the first year (in any event prior to the Naming being on such Facility) and with the balance of the minimum threshold generally payable on a pro-rata basis for the remainder of the five year.
- Academic Unit or Program may require current endowed cash or cash-equivalent gift unrestricted to the unit or program or an appropriate deferred gift
- Specific Naming amounts for Facilities, Outdoor Areas, Programs, Academic Units, Sites, and Spaces will be determined annually by the Foundation with the college or unit, subject to approval by the President in consultation with the BOT Chair and Vice Chair

Trustee Patel, Zucker, and Vice President Mitchell will present information at the upcoming meeting and continue to work on this information and hope to have it ready for approval at the September meeting.

3.6 Outside Activities/Conflict of Interest Policies

- Preliminary revised Outside Activity and Conflicts of Interest Policy submitted to Governance Committee on May 21, 2019, and preliminarily discussed on May 22, 2019, Governance Committee meeting
- UF BOT to vote on Outside Activities / Conflict of Interest Policies document during the June BOT meeting

3.7 UF Regulations

Vice President Hass reviewed the following:

- Updates to certain UF Regulations submitted to Governance Committee on May 21, 2019, and preliminarily discussed on May 22, 2019, Governance Committee meeting related to the following:
 - Admissions
 - Prohibited Consensual Relationships
 - Lost or Abandoned Property
- UF BOT to vote on such Regulations during the June BOT meeting
 - 1.0065 Prohibited Consensual Relationships - The proposed new regulation sets forth the new University policy regarding prohibited consensual relationships.
 - 1.016 Admissions - The proposed regulation amendment updates the Admissions regulation to reference the undergraduate and graduate catalogs for admission requirements to the University to comply with BOG requirements.
 - 3.0051 Lost or Abandoned Property - The proposed regulation amendment includes the necessary statutory changes related to the University's disposal or use of the lost or abandoned property and updates the definition of "Campus".

3.8 Student Affairs Investigation Update

Committee Chair Patel indicated that the university continues to complete an investigation and more information will be shared when it is available.

3.9 Legislature Recommendations

Vice President Kaplan reviewed the following:

- During the recently concluded legislative session, the Florida House Committee on Public Integrity and Ethics ("PIE") led an investigation of spending practices at UCF
- That investigation led to a final investigative report that included a series of recommendations regarding training, governance, reporting, and other issues
- Many of those recommendations informed the Florida legislature's passage of CS/SB190 on the final full day of the 2019 legislative session
- On May 21, 2019, we submitted to the Governance Committee a memorandum summarizing each of the recommendations in the final investigative report highlighting which ones were adopted into final law and identifying areas where UF's policies and practices might warrant further attention
- At May 22, 2019, Governance Committee meeting, we preliminarily discussed these items. Feedback included:
 - Analyzing each recommendation to determine which ones we comply with and which one we do not comply with
 - As a best practice, considering adopting each recommendation and not just those
 - Adopted into the final law
- Revised memorandum submitted to Governance Committee on May 31, 2019
- Have begun to revise Governance Standards accordingly for approval during September 2019 BOT retreat

3.10 Presidential Assessment and Goals

President Fuchs discussed his assessment and goals, which he previously reviewed with the BOG, Board Chair and Board Vice Chair. Per his discussion with the BOG and its focus on student success, President Fuchs will include specific wording to include student success.

- Assessment of Performance against FY 2019 Goals
- Distributed to the BOT on May 21, 2019
- Assessment of President's performance against the Board-approved FY2019 presidential performance goals
- Discussed with Board Chair and Board vice Chair individually prior to distribution to full BOT
- The Committee on Governance is charged with discussing the assessment and confirming performance for FY2019, which is scheduled for the June 6 Committee meeting
- Proposed FY2020 Presidents Performance Goals
 - Distributed to the BOT on May 21, 2019
 - Proposed FY2020 presidential performance goals
 - Discussed with Board Chair and Board vice Chair individually prior to distribution to full BOT
 - The goals for FY2020 are aimed at advancing UF toward its overarching goal of enhanced excellence and stature, as indicated by a Top 5 public
 - Research university ranking
 - The Committee on Governance is charged with reviewing these goals, which is scheduled for the June 6 Committee Meeting, and making a recommendation to the full Board for its final approval

3.11 Facility Clearance

Vice President Norton indicated he will seek for the board to vote to designate to clear two employees for security clearance at the upcoming meeting.

6.0 New Business

There was no further business to come before the board

7.0 Adjourn

There being no further discussion, the meeting adjourned at 2:23 p.m.