



Board of Trustees

Minutes

June 13, 2008

A regular meeting of the University of Florida Board of Trustees was held on Friday, June 13, 2008 in President's Room 215B of Emerson Alumni Hall, University of Florida.

Chair Dianna Morgan called the meeting to order at 11:15 a.m. and a quorum was confirmed. Ms. Morgan turned the meeting over to President Machen to deliver the President's report.

Dr. Machen began by noting this is a year he will not be sad to see go; that it has been a difficult time in many ways. It will probably be remembered as the year of budget cuts, though there are other items that should be remembered: Emerging Pathogens, a major academic program; efforts of deans, faculty and Vice President Paul Robell helping the Florida Tomorrow Campaign to move forward, and on target; the Moffitt Cancer collaboration, a very promising and long term major addition to the University of Florida; the Committee on a Civil, Safe and Open Environment has made significant progress on the way we want to do things on our campus; the Graham Center (Pugh Hall), which will prove to be a significant addition to the academic programs; the second class of the Florida Opportunity Scholars, a program that will be institutionalized in one or two years; another special year for athletics – especially successful in women's athletics – kudos to Athletic Director Jeremy Foley and his team.

We have focused on quality; even the budget cuts were made with quality in mind. The University of Florida has taken a big role in economic development. This year, a team went to Silicone Valley to participate in economic development for our state; last month a team went to Boston. IFAS is a key player historically, and to this day, in the development of our state. The College of Design Construction and Planning has always played a major role in construction in the state. And, our College of Health and Human Performance plays an important role regarding tourism in the state. There are a couple of personnel matters to announce. Doug Barrett has agreed to stay on as Senior Vice President for Health Affairs and we will conduct a search for his position early next year. This will be Janie Fouke's last meeting as Provost, and many of the

things you see happening now come from her leadership. I'm happy to tell you that she is taking a special assignment with the University to review all international programs, including exchange and student abroad programs, and otherwise help with a systematic approach for the University. Lastly, we have almost completed the recruitment and hiring of the Director of the Alumni Association, and will announce that on Monday. I want to thank the Board for its support, encouragement and insight this year. It is great to have a board like this as we move forward.

Chair Morgan asked for the reports from the committees. Trustee Joelen Merkel began with the report of the Committee on Audit and Operations Review and noted all members were present. Mrs. Merkel reported there were no consent agenda items to be addressed by the committee.

Phil Ciano, the field supervisor for the Office of the Auditor General, reported that the timing for the issuance of the fiscal year 2008 audit report is January of 2009, consistent with last year and advised the committee of the impact of new auditing standards, relating to materiality and significant deficiencies and the reporting thereon.

The committee reviewed the internal audits that had been issued since the last Board meeting, two of which were discussed in more detail, following a summary by Brian Mikell, Director of Auditing. One, the Internal Audit of the Facilities Planning and Construction Division was outsourced to the auditing firm of RSM McGladrey, who has expertise in construction audits. The primary purpose of the audit was to assess the design adequacy of the internal control structure in place at the Division for the construction of major projects, those with an initial construction budget that exceeds \$1M. The audit approach focused on determining whether proper controls exist and whether such controls are appropriate for mitigating inherent risks. Key controls were evaluated in the following processes: budget and project set-up; contractor selection and evaluation; estimating and guaranteed maximum price development; payment applications; change orders; project monitoring and communication; and project reconciliation.

The audit also included a review of contractor compliance. Although the audit resulted in several recommendations to strengthen the internal control structure, the overall audit was rated satisfactory, meaning no significant deficiencies exist, controls are considered adequate and findings were not significant deficiencies exist, controls are considered adequate and findings were not significant to the overall process.

Mr. Mikell led a discussion of the second audit which was on the unit based internal control systems. Last year, Nur's office disseminated an internal control self-assessment to 239 university units. Based upon the results of this self-assessment, a random sample of 50 units was selected to evaluate controls and validate the survey responses. This was a massive undertaking that has resulted in identifying campus-wide control issues that will be appropriate addressed.

Examples include the appropriate identification of an "accountable officer" for each unit and better development of fiscal training for these officers.

The other internal audits covered the Division of Continuing Education, Gator Boosters Internal Controls and Foundation Restricted Gifts.

Dr. Properzio, Director of Environmental Health & Safety briefed the committee on emergency planning and communication, including the results of a disaster exercise conducted in April, which was reported in detail to the full board this morning.

Vice President Kyle Cavanaugh updated the committee on university efforts to develop an enterprise compliance and risk framework with input from the Office of Audit and compliance Review.

Next, Trustee O'Connell presented the report of the Educational Policy and Strategy Committee meeting. Trustee O'Connell stated all members were present and all but one consent agenda items were approved. Regulation 6C1-1.008 Disruptive Behavior was removed from the consent agenda and will be brought back before the committee and full board in September. The committee also approved 8 tenure upon hire cases and well as two new degrees -- the B.S. in Sustainability and the Built Environment and the Master of Historic Preservation. Both degrees are stemming from student demand and the importance of sustainability. Additionally, because the degree has not been active and the training is available through the rehabilitation science doctoral program, the Master of Health Science in Physical Therapy was approved for termination.

The committee reviewed and approved the following: The BOG Compliance Reports regarding the policies for proposal, approval, monitoring and sunseting of academic programs as well as centers and institutes; the Facility Security Clearance Resolution which confirms that board members do not require access to classified materials and designates Vice President Win Phillips as the responsible senior management official for purposes of facility security clearance; the awarding of Honorary Degrees to Bo Diddley, Ann Lurie, and Hamilton Smith. Additionally, the committee approved the annual tenure and permanent status cases and stated what a high honor tenure is and noted the dedication and excellence these faculty members display in receiving tenure or permanent status.

Presentations given to the committee were the Renewable Energy Fee, the Revenue Estimating Model and the Student Flow Model.

Trustee Alfonso delivered the report of the External Relations Committee and stated all members were present and the meeting began with Vice President Adams giving an update on the 2008 legislative session. The committee was informed that the university received modest funding for the College of Medicine, as well as planning money for a building associated with the Burnham Institute in Lake Nona. In addition, several buildings were funded by PECO funds but we did not receive matching funds for major gifts, leaving \$42M in projects left unmatched. Similarly, the Courtelis program received little funding and left \$27M in contributions left unmatched. Venture capital funds requested for the proposed incubator were also not funded.

We have been approved to raise the Professional Programs Tuition annual cap from 10% to 15%. UF will also be the lead university for the new energy consortium that will collaborate with other Florida universities for researching innovative energy systems.

The committee was briefed on the potential priorities for 2009, including medical school and Major Gifts and Courtelis funding. The committee requested that tuition devolution efforts continue and remain a priority for next year's legislative efforts.

On the federal level, UF representatives have been meeting with members of Congress on the university's earmark requests. It remains uncertain whether earmarks will be approved this year.

The committee was informed that a program to develop grassroots lobbying support from UF alumni and friends will be presented at the September meeting. Committee members discussed the importance of this effort to future government relations successes and provided input and suggestions.

Following the legislative discussion, Vice President Hice gave the committee an update on the branding campaign, the Cost Reduction and Efficiency Committee Task Force findings, the UF Awareness Study and Higher Education Advertising Study.

The committee was informed that the Cost Reduction and Efficiency Committee Initiatives, which have led to the replacement of many printed publications to electronic newsletters and renegotiated printing contracts, will generate annual savings of more than \$1M. They saw a presentation on "Think before you ink!," a program to faculty, staff and students to refrain from printing documents and wasting paper. Each of you has a decal.

In response to a request from the previous committee meeting, it reviewed information on the potential of selling advertising in university publications and electronic communications. A survey of other universities revealed that advertising in higher education publications is somewhat unusual and generally not supported. However, it is more common in alumni magazines. The committee instructed the staff to continue to consider whether ad sales in some publications could be beneficial.

A Public Awareness Survey was conducted for the university. Findings show that within the last three years, UF has continued to gain awareness. Additional work needs to focus on communicating research activities.

Next, Trustee Warrington provided the report of the Committee on Finance and Facilities and began by noting all members were in attendance. Several actions items were presented to the committee and approved: The proposed amendment to the Operating Budget for 2007-08; the final Operating Budget for 2007-08 and the preliminary Operating Budget for 2008-09; proposed Facilities Spending Plan for PECO, Courtelis Facilities Enhancement Challenge Grant, Maintenance/Repair/Renovation/Remodeling funds, and Capital Improvement Trust Funds; UF Foundation loan to construct an administrative building at the east campus; to sell an approximately 12 acre tract of land located in Broward County to the Town of Davie; and change to the University of Florida regulation regarding purchasing.

Discussion items brought before the committee were: explanation of parking changes as a result of construction of Hough Hall; an update on the status of the Courtelis Facilities Enhancement Challenge Grant; status of construction projects, including the Steinbrenner Band Building and the SW Stadium Renovation and Expansion which will be completed next month; the quarterly financial reports as of March 31, 2008.

Presentations by university students Kelly Moosbrugger and Adrian Erlenbach regarding the potential creation of a renewable energy student fee, 78% of UF students voted in favor of establishing such a fee and four other Florida state universities are also proposing such a fee.

Other discussions: the recently revised regulations by the Board of Governors regarding Facility Namings; proposed changes to student tuition for 2009-09 which will be approved by the Educational Policy and Strategy Committee. CFO and Vice President Matt Fajack summarized the changes.

Two University employees were recognized by the Committee: Linda Shreve, the University Cashier in Finance and Accounting, and Jim Thompson, a maintenance superintendant in the Physical Plant Division. Both were commended by the committee for their loyalty and dedication to the University.

On behalf of Trustee Powell, Trustee McGriff gave the report of the Committee on Governance to the Board. All members were present. There were no actions items on the agenda. The committee discussed President Machen's preliminary updated three year goals. President Machen presented the committee with an outline of his proposals which included several new initiatives as well as the continuation of previously established long range goals. The committee, Chair Dianna Morgan, and President Machen discussed some of the more important considerations in the goals outlined by the President and each committee member was asked to reflect on the proposed goals and to community their thoughts and comments to Brian Beach by the end of July in order to address both short and long range goals for the President at the next Board meeting.

Trustee McGriff briefly updated the committee that progress is being made in amending the bylaws and organizational documents to implement the Board of Trustees' principles for the governance of the affiliated organizations and a fuller update will be made at the next meeting.

The committee then met in executive session with Sr. Vice President Kyle Cavanaugh regarding the work with each of the labor organizations. Negotiations continue with the faculty union and the team remains optimistic that we are making progress toward a new contract. A memorandum of agreement has been signed between the University and the faculty union which will allow for the majority of a new contract to go into effect July 1st. Training has been conducted for all deans and associate deans related to the new provisions. Additional training will be conducted over the next two months. Negotiation with three other unions (AFSCME, GAU, and PBA) will be conducted during the months of June and July.

Next, Trustee McGriff reported on the Committee on Resources. All members were present. The Committee received an update from Sr. Vice President Kyle Cavanaugh regarding a variety of Cost Reduction and Revenue Enhancement Initiatives, including: transcript charge, implemented at the end of March, has produced over \$200,000 through May and the demand for transcripts has decreased by approximately 50% -- both revenue and demand related to transcripts will continue to be monitored; direct deposit -- since the initiative has gone live, paper pay checks have been reduced from approximately 1,000 checks to a little over 200 per pay period; print to electronic, consolidation of print vendors, copying management -- encouraging results have been observed related to moving print publications to electronic publications, and renegotiating print and copy contracts; electronic procurement (e-Procurement) -- new software has been purchased and this project is well under way with a projected pilot scheduled for December -- this initiative is projected to have a significant impact on our campus purchasing activity; vehicles management -- new directives are being released related to the purchasing,

fueling and maintenance of university vehicles. We remain very encouraged regarding the work across campus related to each of the initiatives.

A brief update on benchmarking efforts related to the concept of flat rate tuition was provided by Mr. Cavanaugh with a full report to be provided at the next meeting.

The committee next received an update on UF's endowment by Mike Smith, CEO of UFICO. Mr. Smith indicated that: investment returns in absolute numbers are not encouraging due to market conditions; investment returns to benchmarks (what others are achieving;-: market indices) remains positive; the current market conditions remain volatile; and UFICO continues to operate in a cautious and conservative manner.

Vice President Robell gave a capital campaign update to the committee. Highlights included: As of May 31, the campaign total was \$654M; 26 commitments of \$1M or more; non-alumni/parent giving = 28% of total; impact on faculty through endowments and graduate student support - \$542M; regional kick-offs in Orlando, Miami and New York City; and upcoming kick-offs in Tampa, Chicago, Ft. Lauderdale, and Jacksonville; campaign trajectory had been excellent since initiation although some flattening has been seen since January due to the economic downturn; on track, though, for successful completion of \$1.5B in the 2012; state is not funding major gifts and endowment matches this year will hurt our endowment growth as well as future fund raising.

As the next order of business, Ms. Morgan directed the Board to the Consent Agenda and with the exception of University of Florida Regulation 6C1.1008 Disruptive Behavior, the Consent Agenda was approved by the Board of Trustees.

Chair Morgan then asked for new business and for public appearances and, hearing none, proceeded to make her comments. She apologized for failing to recognize and welcome Frank Bova, new Faculty Senate Chair Trustee and Kevin Reilly, new Student Body President Trustee at the beginning of the meeting.

Continuing with President Machen's comments regarding challenging times, Chair Morgan stated that the board clearly recognizes this as one of UF's most challenging quarters. She thanked the board for all of its hard work and the care with which it has managed through these difficult times. The institution will be stronger as a result. She recognized a few notable achievements. On June 3rd, Good Morning America showcased the College of Engineering's hurricane simulator. In March, Graduate Research Professor John Griggs Thompson won the world's most prestigious award in mathematics, the 2008 Abel Prize, for his outstanding work in the field. In a recent economic magazine, UF's MBA Program was ranked the #1 program in the world. This survey reviewed the distance learning MBA program's content, student quality and distance learning elements. IFAS' Ordway-Swisher site, here in Gainesville, was chosen by the National Science Foundation as one of 20 sites across the continent to monitor the nation's ecological health for the next three decades. Finally, congratulations to our women's softball team as they went to the NCAA College World Series for the first time also set a record for the number of wins in a season.

After discussions with Vice President and General Counsel Jamie Keith and Dr. Machen, we have recently reviewed a new proposed regulation from the Board of Governors which

addresses the duties and powers of the Board of Trustees and has raised a number of questions from all of our universities across the state as well as considerable discussion from board chairs. Chair Morgan stated that she has spoken with Board of Governors Chair Carolyn Roberts and Chancellor Rosenberg and remains hopeful that the Board of Governors will set forth a collaborative process which will allow university boards of trustees to have some participation in this process. Ms. Keith is preparing a summary document and she will be available to answer any questions that you may have. This may be discussed at the Board of Governor's meeting in Orlando next Thursday. Chair Morgan believes that no action will be taken until at least August/September. We will keep you informed and provide as available. With no further business or announcements, the meeting was adjourned.