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STATE UNIVERSITY SYSTEM OF FLORIDA
BY TELEPHONE CONFERENCE CALL
TALLAHASSEE, FLORIDA
APRIL 27, 2006

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The Chair, Carolyn K. Roberts, convened the meeting of the Board of Governors, by telephone conference call, from Tallahassee, Florida, at 1:00 p.m., April 27, 2006, with the following members present: John Dasburg, Vice Chair; Dr. Akshay Desai; Ann Duncan; Joe Goldberg; Dr. Stanley Marshall; Frank Martin; Sheila McDevitt; Lynn Pappas; Ava Parker; Dr. Martha Peláez; Tico Perez; John Temple; and Dr. Zach Zachariah.

1. Call to Order and Chair's Report

Mrs. Roberts thanked Board members for participating in this meeting. She said this had been a busy spring. She thanked them for calling members of the Legislature and talking to them about the universities' needs. She also thanked Chancellor Rosenberg, Mr. Maxey, and Board staff for their hard work through the Session. She reported that she had been in Tallahassee for the past several days, and had been meeting with Legislators. She said the budget conferees had agreed on most of the budget issues. While the University System fared well with the proposed budget, she said she continued to be disappointed in the PECO recommendations. She said she understood the enormous costs associated with meeting the class size requirements, but the universities were also growing and had access needs, as well.

Mrs. Roberts congratulated Dr. Marshall on the publication of his book about FSU in the 1960's, The Tumultuous Sixties: Campus Unrest and Student Life at a Southern University. She said many of them around the table remembered that era very well.

Mrs. Roberts noted that in addition to the final weeks of the Session, this was an important time of year for universities with their graduation ceremonies. She said graduation was a significant milestone for students, but the state was also the beneficiary of an educated citizenry. She said the Board should pause and recognize the achievements of more than 64,000 university students who would graduate over the next few weeks. She encouraged Board members to attend and participate in these important ceremonies. She said the next meeting of the Board would be June 22, 2006.

2. Approval of Minutes of Meeting held March 23, 2006; and Minutes of Telephone Conference Call Meetings held March 13, 2006, and April 7, 2006

Dr. Peláez moved that the Board approve the Minutes of the regular meeting held March 23, 2006; and the Minutes of the telephone conference call meetings held March 13, 2006, and April 7, 2006, as presented. Ms. Duncan seconded the motion, and members of the Board concurred.

3. Chancellor's Report

Dr. Rosenberg said he was delighted that spring graduations would produce more than 64,000 graduates for the state. He identified three outstanding students graduating this spring, noting that there were many talented graduates at all the universities. Ms. Bhavani Jayachandran, a master's degree candidate at FIU in bio-medical engineering, is helping to design a machine that would help detect breast cancer at a much earlier stage than is possible currently. Ms. Jayachandran married and came to America not knowing English. After learning the language and having two children, she obtained a bachelor's degree in electrical and computer engineering from FIU. Ms. Melissa O'Connor, a candidate for the B.S. in biology with honors at UNF, with a 3.78 GPA, has been involved in volunteer activities both on and off campus since her freshman year. Organizations where she has volunteered include JCL Prison Mission; the Mayo Clinic; the Boggy Creek Gang Camp; HabiJax; Breast Cancer Society; and the JCL New Orleans Clean Up during spring break in March. Mr. Sohng Gandhi, a candidate for the B.S. degree in Physics at UCF, has already received national recognition for his undergraduate research in the area of theoretical physics. As an undergraduate, he has had several publications in peer-reviewed journals. In 2005, Mr. Gandhi received a Goldwater Scholarship, the premier undergraduate scholarship in the sciences and engineering, and, as a senior, he was one of 60 students nationwide selected to USA Today's All-USA College Academic Team. Dr. Rosenberg said the Board could be proud of the accomplishments of these graduates, and of all the graduates from the State University System.

Dr. Rosenberg extended his thanks to Senators, Representatives, and legislative staff for their patience and attention to all the SUS issues. He thanked the presidents and their staff members for carrying the SUS message. He said he wanted to express his appreciation to Presidents Wetherell, Brogan and Delaney for giving him advice and guidance on the Board's legislative agenda. He also thanked Board members for their willingness to make calls to Legislators.

Dr. Rosenberg said the Facilities Task Force, under the leadership of Ms. Parker, and the assistance of Dr. McKee's staff, was moving forward. The first meeting of the Task Force would be on May 23, 2006. He thanked Mr. Bill Merck, UCF, for chairing the Task Force, and Dr. Bob Bradley, FSU, Mr. Victor Citarella, FIU, and Dr. Joe Shepard,

FGCU, for chairing committees of the Task Force. Dr. Rosenberg reported that the Emergency Preparedness Task Force, chaired by Dr. Sandra Flake, UWF, had already had several meetings. He said this Task Force was considering ways to improve SUS capacity to respond to violent storms, and with the threats posed by Avian Bird Flu and other pandemics. He said the Task Force would present an action plan to the Board in the fall.

4. Consideration: Debt Management Guidelines

Mrs. Roberts said Ms. Vikki Shirley, General Counsel, and Mr. Ben Watkins, Director, Division of Bond Finance, would review the Debt Management Guidelines which were developed after the Board's adoption of a policy in January 2006 regarding authorization and approval of debt issued by universities and their direct support organizations ("DSOs"). Ms. Shirley said these Guidelines had been developed through a collaborative effort involving members of the Council for Administrative and Financial Affairs, Mr. Watkins and his staff, and Board staff. She thanked them all for their assistance. She said these Guidelines addressed the purposes for which debt might be issued, the amount of debt that might be issued, the structural features of debt being issued, the types of permissible debt, and compliance with federal tax and securities laws and regulations. She said the principles set forth in the Guidelines were designed to facilitate the management, control and oversight of debt issuances, while providing flexibility to the university Boards of Trustees and their DSOs with respect to debt management.

Mr. Watkins thanked everyone for their participation in crafting these Guidelines. He said the work of the entire group had produced an excellent product. He said the Guidelines included a General Framework for the issuance of debt and a Statement of Principles. He said all debt to be issued by the universities and by their DSOs would be reviewed and approved by the Board of Governors prior to being issued. The Board and the Division of Bond Finance would review the proposal to determine that the revenues were appropriate to the issuance of the debt. The Guidelines included the detailed procedures to be followed in submitting university projects for review. He said the Guidelines presented a responsible, balanced, reasoned, and flexible approach for the issuance of university debt with appropriate oversight by the Board of Governors. He said the Guidelines were intended as flexible guiding principles with provision for exceptions, appropriate under certain circumstances, as well as allowing the use of new financial products and debt structures over time. The section on Debt Affordability and Capital Planning described the types of financings which could be executed by the universities without approval by the Board of Governors. He said this was added at the request of CAFA to provide further operational flexibility to the universities.

Section 3 established General Debt Issuance Guidelines, and described the timelines and the process for submitting debt for Board approval, and the information

to be submitted as a part of the request for the staff to perform the necessary due diligence. Mr. Watkins noted the specific information to be submitted for variable rate debt proposals. The Guidelines included the criteria the Board would consider in its review of university or DSO debt issuance, including compliance with these Guidelines, reasonable and supportable project information, and the financial feasibility of the project, that the revenues would be sufficient to pay the debt service. The Guidelines defined the purposes for which debt may be issued, including equipment and software. He noted that the universities had previously not been authorized to finance software acquisitions. He said the Guidelines described the commitment of university resources for debt issued by the DSOs. Debt of any DSO might not be secured by an agreement or contract with the university unless the source of payments under such agreement or contract is limited to revenues the university was authorized to use for payment of debt service. The Guidelines addressed credit ratings and tax status. Mr. Watkins recommended the universities borrow on a tax-exempt basis, unless the university could demonstrate that the issuance of taxable debt was in the university's best interest. Mr. Watkins reviewed the revenues which could be used to secure debt. He said these were consistent with the policy adopted by the Board at its January 2006 meeting. He noted that the Guidelines provided for a limitation on payment of annual debt service from Activity and Service and Athletic Fees to five percent of the revenues derived from these fees. He said revenues not enumerated within the Guidelines could not be pledged to secure debt unless authorized by law for that purpose.

Mr. Watkins said the Guidelines addressed Structural Features, including length of maturity and debt service structure, and Interest Accrual Features. The Guidelines acknowledged the use of alternative financing arrangements, generally referred to as derivatives, where appropriate. He extended thanks to Dr. Joe Shepard for his assistance in developing the Guidelines on variable rate debt and ways to manage this debt. The Guidelines also included Other Types of Financings, including Refunding Bonds, Certificates of Participation and Lease-Type Financing. Mr. Watkins said it was in the best interest of the universities to use the method of sale for their debt that was expected to achieve the best sale results, whether through competitive sale or negotiation. The Guidelines outlined the elements for the analysis.

Mr. Watkins said that previously there had been no reports back to the Board of Governors regarding DSO debt. Now, under these Guidelines, debt issued by the DSOs would be reviewed the same way as other university debt. The Guidelines addressed the selection of financing professionals, disclosure, and post-issuance considerations. He said the Guidelines were effective immediately, and might be modified by the Board as circumstances warrant.

Ms. Pappas inquired about timing, and how these Guidelines fit into the process of debt issuance. Mr. Watkins said the timeline from conceptualizing the need to finance to the actual issuance of the debt instruments was approximately nine months to one year. He estimated that it took about six months from the time the university

determined what it wanted to do before the offering documents were issued to the market. He estimated that the process could be completed in four months if everything fell into place quickly. He said if a university were well prepared with a debt proposal, there could be timely movement through all the steps in the process. In a case where material changes were still being made to the proposal, even after Board approval, there might be some question whether the proposal was still valid and might need to be reconsidered by the Board.

Ms. Pappas inquired about the ability of the universities to handle debt management. She noted that the universities had different staffing patterns. Mr. Watkins said the technical competence of the universities to manage debt should be evaluated as a part of the review and completed before the financing proposal was brought to the Board for its consideration. The disparity of technical expertise was addressed by the Guidelines, particularly in the management of variable rate debt.

In response to a question from Dr. Peláez, Mr. Watkins said the universities were responsible for the implementation of these policies on their campuses.

There were no further comments. Ms. Parker moved that the Board adopt the Debt Management Guidelines for the issuance of debt by universities and university direct support organizations, as presented. Ms. McDevitt seconded the motion, and members of the Board concurred.

5. Consideration of Amended 2006-2007 State University System Fixed Capital Outlay Legislative Budget Request

Ms. Parker said the Board, at its meetings of September 15, 2005, February 23, 2006, and March 23, 2006, had previously approved a comprehensive 2006-2007 State University System Fixed Capital Outlay Legislative Budget Request. Ms. Parker explained that the universities had proposed a variety of fixed capital outlay projects, to be constructed or acquired from non-appropriated sources or to be financed by revenue bonds, which would require General Revenue funds for operation and maintenance, which required legislative approval in the General Appropriations Act. She noted that the governance bill contained many provisions of the Board's debt management policy, but failing the passage of that bill, appropriate authorization for these capital outlay projects was needed in substantive legislation or in proviso in the General Appropriations Act.

Ms. Parker said that to be sure these additional projects were in compliance, she recommended that the Board amend several pieces of the 2006-2007 Fixed Capital Outlay Legislative Budget Request. She said the amendments were to the list of Projects which Require General Revenue for Operation, to the list for Authorization to Sell Revenue Bonds on Behalf of Universities, and to the list for Authority for Financing and Acquisition of Facilities by Direct Support Organizations.

Ms. Parker moved that the Board approve the amended portions of the 2006-2007 SUS Fixed Capital Outlay Legislative Budget Request, as presented. Dr. Marshall seconded the motion, and members of the Board concurred.

6. Consideration of Amendment of Regulation 6C-10.001, Self-Insurance Programs

Ms. Shirley said that Section 1004.24, F.S., authorized self-insurance programs for the purpose of providing comprehensive general liability and professional liability insurance for health care and veterinary sciences to university boards of trustees. Each self-insurance program was administered by a council. There were at present three separate councils, two established for UF programs and one at USF. She explained that the purpose of the amendments was, as follows: 1. to combine the self-insurance programs and councils for the J. Hillis Miller Health Centers in Gainesville and Jacksonville into one program, to achieve administrative efficiency; 2. to provide for the establishment of the FSU College of Medicine Self-Insurance Program to be administered by the FSU College of Medicine Self-Insurance Program Council, as FSU was about to assume the responsibility for two residency programs at Sacred Heart Hospital, Pensacola; and 3. to incorporate statutory protections set forth in Section 1004.24, F.S., relating to the immunity of self-insurance programs from suit and the public records exemption for claims files of the self-insurance programs.

Ms. Shirley explained that pursuant to the Regulation Development Procedure adopted by the Board at its March 23, 2006, meeting, following this approval, the Board was required to provide public notice by publication on its Internet website at least 30 days before adoption of the proposed regulation. The proposed regulation would be brought back to the Board for final adoption at its June 22, 2006, meeting.

Dr. Marshall clarified that the amendment proposed to combine the two Self-Insurance Program Councils for UF in Gainesville and in Jacksonville. Ms. Shirley concurred.

Dr. Marshall moved that the Board approve the amendment to Regulation 6C-10.001, Self-Insurance Programs, for publication on the Board's website pursuant to the Board's Regulation Development Procedure, as presented. Ms. McDevitt seconded the motion, and members of the Board concurred.

7. Status Report, 2006 Legislative Session

Mr. Rick Maxey reviewed the legislation of interest to the Board. He said there was still one week left in the Legislative Session, affording opportunities for changes in legislation. He noted that at this point in the Session, events unfolded quickly. He said it was important for everyone to communicate. He thanked all the members of the SUS team for the outstanding levels of cooperation shown this Session. He thanked the

university lobbyists for their help and responsiveness this Session, and also thanked members of the Board staff who had worked hard this Session, including Ms. Tracy Alston, Ms. Emoryette McDonald, Ms. Vikki Shirley and Mr. Tim Jones.

Mr. Maxey said he had distributed the Legislative Update to the Board members, and would update the Board on only a few of the bills staff members were watching. He said the governance bill was not expected to pass this Session; university and Board staff would work with legislative staff over the summer to draft a new governance bill for consideration in the 2007 Legislative Session. He said the bill which would make the Board of Governors Foundation eligible for matching gifts would not pass this Session, although there was an amendment creating a pilot program which would allow gifts to the Foundation to be matched. He reported that Board staff had been unable to reach agreement with the students on the proposed Technology Fee; they would begin discussions anew on this Fee during the summer. He said there were bills placing the UCF and FIU medical schools in statute, and placing them in the position to receive funds for implementation and operation. These bills were expected to pass by the end of the week. The DSO bonding language could be attached to other bills still in play; the language could be included in proviso language of the General Appropriations Bill if they were unsuccessful in passing substantive legislation on DSO bonding this Session. He said he was still hopeful the substantive bill would pass. He extended special thanks to Mr. Ben Watkins for his considerable assistance with this legislation.

Mr. Maxey said it was critical to be vigilant during the last days of Session, as bills and amendments would be moving quickly between the House and Senate. Dr. Peláez said she was concerned about the eligibility criteria outlined in the Eminent Scholars bill, particularly the numbers of Ph.D. graduates and the research dollars.

Mr. Tim Jones said the Budget Conferees had concluded their discussions on Tuesday, April 25, 2006. He said he had distributed a summary of the budget decisions to the Board members. He reported that the SUS had received an eight percent overall increase in its budget over the current year appropriation, excluding tuition increases. The Conferees had agreed to provide \$54.4 million to fund enrollment growth; the Board had requested \$80 million for enrollment growth. He noted that the request of \$20.7 million for Utility Increases was fully funded. To fund the ratio of in-state/out-of-state students, the Board had requested \$18.3 million; the Conferees had provided \$32.7 million. He said the Board's request for funding of Targeted Degree Production, for Nursing, Engineering and Teaching, had only been funded for the production of Nursing Masters and Ph.D.'s. The Conferees had provided \$64 million for Major Gifts Matching; the Board had requested \$40 million. The Conferees had funded the Board's requests for funding FSU medical education and the FAMU Law School.

Mr. Jones also reviewed the funding provided to the Board's General Office. The Conferees had funded one additional position; the Board had requested funding for two

new positions. In addition, the Conferees had provided an additional \$100,000 to fill vacant positions; the requested amount was \$176,000.

Mr. Jones reported that the Conference Committee Chairs, Representative Negron and Senator Carlton, were now resolving the last major budget issues with Senate President Lee and House Speaker Bense. He said the budget would be printed on Monday for consideration by both the House and the Senate later in the week.

Ms. McDevitt inquired where the other appropriations items had originated, as they did not appear to have been recommended by the Board or by the universities. Mr. Jones concurred that there were many projects which were not included in the Board's Legislative Budget Request, but were included as a part of university budget requests. He said he would do an analysis for the Board on these projects.

8. Status Report, Preparing Quality Teachers in the State University System: A Critical Need

Dr. Marshall said that in its Strategic Plan, the Board had targeted an array of disciplines in which more degrees were needed to meet statewide professional and workforce demands. In its 2006 Legislative Budget Request, the Board had focused on obtaining additional funds in the areas of nursing, engineering and teaching. He said that Mr. Dasburg, as Chair of the Strategic Planning Committee, had asked him to take the lead regarding the State's need for well qualified teachers. He said the Commissioner had spoken to the Board many times of the need in Florida for 32,000 new teachers and how the Board of Governors should address that need. He said these teachers were needed throughout the state, but particularly in low-performing and urban schools.

He reported that he had met with the Deans of the Colleges of Education who had described ongoing programs at their Colleges. He said they had discussed efforts to increase enrollment in the College programs, retention of students, and degree completion. He noted that the Deans were a competent and dedicated group of people. He said UWF had a Teacher-Ready Program, an on-line alternative certification program for teachers to obtain their certification requirements; UF had initiated Professional Development Communities, working with schools in Alachua County to prepare the next generation of elementary teachers; FGCU had developed partnerships to develop programs for students with disabilities. He said these were but a few of the many innovative programs at the Colleges of Education in the System. He thanked Dr. Jon Rogers and Ms. Sundra Kinsey of the Board staff who were assisting him with this project.

Dr. Marshall said the discussion had been lively. There had been discussion about celebrating teaching as a worthy profession, and ways to advance and celebrate a profession that had not been previously employed. He said the teachers' unions

dominated the media on the subject of low teacher pay, so teaching was not viewed as a positive profession. He suggested a type of P.R. campaign touting the benefits of a teaching career. He said this would be an excellent topic for a later meeting with Board members and the University Presidents.

Dr. Marshall told the story of his meeting with a young woman with a Masters degree in History. He said she was weighing her options, considering further graduate school. He said he had suggested that she consider teaching. He reported that she was now applying for a position as a high school teacher, and had applied for certification. He explained that there were many steps required in the certification process, a process regarded as burdensome.

Mrs. Roberts thanked Dr. Marshall for his report.

9. Consent Agenda Items

- A. Resolution Authorizing the Redemption Prior to Maturity of \$1,655,000 State of Florida, Board of Regents, University of South Florida Housing Facility Revenue Bonds, Series 1996B (Sarasota/New College Campus Project); Authorizing the Execution of an Escrow Deposit Agreement; Providing for an Effective Date

Dr. Peláez moved that the Board adopt the resolution authorizing the redemption prior to maturity of \$1,655,000 State of Florida, Board of Regents, University of South Florida Housing Facility Revenue Bonds, Series 1996B (Sarasota/New College Campus Project); authorizing the execution of an Escrow Deposit Agreement; and providing for an effective date, as presented. Ms. Duncan seconded the motion, and members of the Board concurred.

- B. Resolution Authorizing the Redemption Prior to Maturity of \$2,255,000 State of Florida, Board of Regents, University of South Florida Housing Facility Revenue Bonds, Series 1998 (Sarasota/New College Campus Project); Authorizing the Execution of an Escrow Deposit Agreement; Providing for an Effective Date

Dr. Peláez moved that the Board adopt the resolution authorizing the redemption prior to maturity of \$2,255,000 State of Florida, Board of Regents, University of South Florida Housing Facility Revenue Bonds, Series 1998 (Sarasota/New College Campus Project); authorizing the execution of an Escrow Deposit Agreement; and providing for an effective date, as presented. Ms. Duncan seconded the motion, and members of the Board concurred.

10. Status Report, Student Affairs Committee/Governor's Access and Diversity Commission

Ms. McDevitt reported on the joint meeting of the Board's Student Affairs Committee/Governor's Access and Diversity Commission. She said the Committee/Commission had heard about student tracking systems at UCF, USF, UF and FSU. The members asked staff to find information about programs in other states, such as "early commitment" financial aid programs and "promise" programs directed to middle school and high school students. She said the Committee/Commission had also heard from representatives of the university foundations regarding fund-raising for need-based scholarships and the First Generation Matching Grant Program. She said they had heard about the status of the budget. She said \$6.5 million was included in the legislation for the First Generation Matching Grant Program, but it had not yet passed. The Legislature had not yet reached agreement on a recommendation for funding the Florida Student Assistance Grants program, but discussions were continuing.

11. Adjournment

Mrs. Roberts advised the members that there would be a legislative update telephone conference call on Friday, April 28, 2006, at 9:00 a.m. Having no further business, the Chair adjourned the regular meeting of the Florida Board of Governors at 2:30 p.m., April 27, 2006.

Carolyn K. Roberts,
Chair

Mary-Anne Bestebreurtje,
Corporate Secretary