



FLORIDA BOARD OF GOVERNORS

325 West Gaines Street – Suite 1614 – Tallahassee, Florida – 32399-0400
(850) 245-0466 – www.flbog.org

February 4, 2008

The Honorable Arthenia L. Joyner
Florida Senate
Room 224 Senate Office Building
404 S. Monroe Street
Tallahassee, FL 32399-1100

The Honorable Durell Peaden, Jr.
Florida Senate
Room 222 Senate Office Building
404 S. Monroe Street
Tallahassee, FL 32399-1100

Dear Senators Joyner and Peaden:

The Board of Governors Office of the Chancellor is appreciative of the opportunity to provide its observations with respect to the Johnnie B. Byrd, Sr. Alzheimer's Center and Research Institute ("the Center"). We understand that the Florida Legislature is keenly interested in the Center's optimal governance structure, management, research agenda, and accountability, especially in a challenging fiscal climate.

We must recognize the Center's potential importance to the well-being of Florida's citizens, as this very debilitating disease affects many Florida families. Therefore, the Board of Governors hopes that the Center maintains a high profile, a statewide mission, a robust research agenda, and a sufficient and predictable funding stream in order to fulfill its potential.

Our observations are based on an initial overview and understanding of the history, operations, challenges, and opportunities associated with the Center. This review has involved the chancellor, the vice chancellor responsible for research and economic development, the chief of staff, the general counsel, the director of governmental affairs, and the director of communications.

This team has had the opportunity to conduct a review that included a site visit of the Center on January 14, 2008. There, the team toured the facilities, received an overview presentation on the Center's work, and met with key administrators and several of the researchers. Members of the team personally met with key members of the Center's board of trustees, including the chair of the Center's Board Finance Committee, and conducted

teleconferences with the board chair and with former Speaker of the House Johnnie Byrd, Jr. The Chancellor's Office also had the opportunity to meet with key representatives of the University of South Florida including the president, the vice president for research, the vice president for health affairs, and the provost, to understand the abilities and desires of the University to assume a more formal relationship with the Institute. Finally, members of the team attended the highly informative Senate Workshop regarding the Center held in Tampa on January 14, 2008.

In addition, the Chancellor's Office has had the opportunity to review documentation with regard to the Center. This has included but is not limited to the following:

- Organizational structure documentation, position descriptions, letters of employment, and financial information with regard to certain internal Center staff and outsourced Center personnel;
- Information with regard to board members, board meetings and minutes, board actions, and the actions of the board's executive committee;
- Information with regard to facilities and plant operation and maintenance;
- Statutory language, articles of incorporation, and previous agreements between the Center and the Florida Board of Education;
- Business plans, operating budgets, and documentation regarding general liability coverage;
- Financial audits and annual reports;
- Documentation regarding grant research guidelines, grant and research awardees, conflict of interest, confidentiality, and non-disclosure.

Subsequent to the site visit and review of documentation, the Office of the Chancellor makes the following observations:

1. Regardless of the future governance of the Johnnie B. Byrd, Sr. Alzheimer's Center and Research Institute, its statewide mission and focus can and should be maintained.
2. If the Center were to merge with the University of South Florida, on whose campus it sits, fiscal efficiencies would be achieved. While the University is the more appropriate entity to quantify such savings, we base this observation on the following:
 - A review of the Center's number and associated responsibilities of mid-level administrative positions leads us to believe that, when combined with

outsourced services, those numbers could be reduced by having those services and responsibilities provided by existing offices at the University of South Florida. These functions include but are not limited to the following areas:

- purchasing and state procurement systems
 - information technology
 - human resources
 - governmental affairs
 - external affairs (lobbying)
 - legal counsel
 - accountability, auditing, and other compliance requirements
 - finance
 - research administration and compliance structure for basic and clinical awards, animal studies, human subject research, and intellectual property
 - property control
- Other efficiencies not directly involved with personnel may be realized in the following:
 - insurance cost savings and enhanced risk management through participation in the State Risk Management Trust Fund Program and USF Physician's Group Self Insurance Program;
 - clinical patient billing, accreditation, vivarium accreditation, state matching gift eligibility, state retirement system, and the state health system
 - current building utilization, shared core research facilities, and the sharing of high cost equipment
3. Potential cost savings cannot be determined with precision until next year's state budget is set. If there is to be a successful merger, the Center's budget would need to be sufficient to underwrite its full operations. USF does not have discretionary funds to support base Center operations.
 4. Any formal merger with the USF should necessarily include funding for plant operations and maintenance of the Byrd facility.
 5. There is a demonstrable concern expressed by some members of the Center Board as to appropriate levels of oversight, communication, control, and fiduciary responsibility. Oversight, operations, and accountability and compliance by the University of South Florida administrators and their USF Board of Trustees,

including appointment of the Chief Executive Officer and the creation of appropriate advisory boards would improve the current governance and administration model.

6. The Center's formal merger with the University of South Florida, on whose campus it sits, would result in growth opportunities through leveraging shared resources and, thus, opportunities for research expansion. These opportunities include but are not limited to:
 - expanded interdisciplinary grant and research opportunities
 - undergraduate, graduate, and medical student research & internship opportunities
 - joint development of medical care within an umbrella for patient care strategy, billing, marketing and managing of clinical practice that currently exists at USF
 - joint facility usage and expanded bonding capacity
 - joint fundraising and access to USF's established community and business support network and alumni
 - more efficiently reaching West Central Florida's growing patient base of approximately 40,000 people with Alzheimer's disease, due to USF's strong program in Alzheimer's disease and neurosciences

7. The University of South Florida has expertise and success in hosting institutes with statewide missions, the most pertinent example of which is the Louis de la Parte Florida Mental Health Institute (FMHI). We believe that the governance structure of FMHI would readily accommodate the needs of the Center. Especially in the current fiscal climate, the success of the Center could be better ensured by hosting it at a university that shares its mission of world class research, treatment, and caregiver support for Alzheimer's disease.

Recommendations

Based on my review I will recommend that the Board of Governors at its next scheduled meeting (March 27, 2008) consider the following formal recommendations to be presented to the Senate Oversight Committee in its review of the Johnnie B. Byrd, Sr. Alzheimer's Center and Research Institute:

- a) Formally integrate the Johnny B. Byrd, Sr. Alzheimer's Center and Research Institute with the University of South Florida, USF Health.
- b) Allocate appropriate and predictable funding for the University of South Florida to operate the Johnny B. Byrd, Sr. Alzheimer's Center and Research Institute.

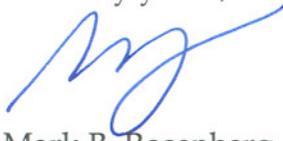
Senators Joyner and Peaden
February 4, 2008
Page 5 of 5

- c) Change the current governance structure to allow the University of South Florida Board of Trustees to determine appropriate administration and governance structure to include the current statewide mission of the Johnnie B. Byrd, Sr. Alzheimer's Center and Research Institute.

The Board of Governors has statutory responsibility for the Johnnie B. Byrd Sr. Alzheimer's Center and Research Institute. The necessary oversight to ensure fiduciary responsibility, efficient management and operations, and meaningful accountability can be effected by delegating those responsibilities to the University of South Florida and its Board of Trustees. The University of South Florida Board of Trustees, the University's highest levels of administration, and additional advisory scientific boards would be able to assume these responsibilities while ensuring that the Center maintains its statewide mission and reaches its optimal potential for the citizens of Florida.

Thank you once again for the opportunity to provide observation with regard to this very important and worthwhile endeavor. We are confident that, with predictable funding and appropriate oversight, the Johnnie B. Byrd Sr. Center and Research Institute will be a great asset to Florida.

Sincerely yours,



Mark B. Rosenberg
Chancellor

- c: Carolyn K. Roberts, Chair, Board of Governors
Rhea Law, Chair, Board of Trustees, University of South Florida
Judy Genshaft, President, University of South Florida
Mark Walsh, Governmental Relations, University of South Florida
Elaine Peters, Staff Director, Committee on Health & Human Services Appropriations