Committee Chair John Ramil convened the meeting at 3:05 p.m.

Committee members present:
  Trustee John Ramil, Chair
  Trustee Bob Soran
  Trustee Debbie Sembler
  Trustee Sherrill Tomasino

Trustee Ramil noted that there are three key strategies that the USF BOT has used for compensation policy: 1) using market data to set compensation; 2) retaining quality performance; and 3) rewarding superior performance. He noted the objective of the committee is to understand the market and its dynamics and put the USF President compensation in the right place with respect to the market. He then asked Dr. Raymond Cotton, the consultant hired to assist the Board in determining the market and a proper package, to review his report.

Dr. Cotton, a higher education compensation consultant with ML Strategies, LLC, presented background information on the marketplace for presidents in higher education. According to a recent report by the Academic Council on Education, university presidents are retiring in great numbers. He noted that 40% of current university presidents are 60+ years old, putting them close to retirement age. As a significant number of presidents begin to retire, higher education will be hit with a shortage of qualified candidates and universities will begin competing against each other to recruit from a thin pool of candidates with talent and experience. Reports show that the marketplace is already responding to a greater demand and shrinking supply, demonstrated by the salaries of current presidents increasing at a higher rate than ever before.

There are two major segments of data to use for comparison: public universities and private universities. The salaries for private university presidents are typically higher. As USF is a public university, Dr. Cotton used a select group of comparators. In addition, he did provide the salary information for the University of Miami, as this information was requested by members of the USF Board of Trustees during the last round of contract negotiations in 2002. This information was provided but not used in the market analysis.

Dr. Cotton referred the trustees to page 12 of his report, which ranks the included universities according to full-time enrollment. USF is ranked near the top among its peers. Also included were the rankings using annual operating budget figures. Dr. Cotton noted that the report incorrectly stated USF's budget as $1.4 billion; the correct figure is $1.6 billion. Based on enrollment figures, USF is above the 75th percentile; when ranked by budget numbers USF is just below the 75th percentile.
As he continued his report, Dr. Cotton pointed the trustees to some of the footnotes included with the rankings. He explained that the footnotes were important as they explain in more detail the individual compensation packages for each university president. He also stated that today universities are recruiting sitting presidents, which was not common practice in the past. This phenomenon has developed over the last six years. Dr. Cotton stated that the Board of Trustees, as the entity responsible for the employment of the university president, is in a very competitive marketplace. For example, Mark Emmert with the University of Washington receives a performance bonus of $600,000 every three years. Performance bonuses are relatively new to higher education, but are quickly becoming more commonplace as a majority of board members are business people. Dr. Cotton explained that there are three types of bonuses typically used for university presidents: signing bonuses, performance bonuses, and retention bonuses. Dr. Cotton cited bonuses used in current compensation packages, citing Ohio State and Georgia State as examples.

As the consultant hired for the development of University of Florida President Bernie Machen's compensation package, Dr. Cotton noted that President Machen has an option in his package concerning a sabbatical. He explained that President Machen may either choose to take a one year sabbatical following the completion of his five year contract, or he may choose to receive a lump sum of his salary for one year in lieu of a sabbatical (totaling $667,000). Currently, President Genshaft's contract includes the option for a six month sabbatical after five years with no cash compensation. In addition, President Machen receives performance bonuses based on the attainment of specified goals. Upon reaching the one year goals, he receives a maximum of $75,000 bonus. For the three year goals, he receives a maximum of $210,000. At five years, he receives a retention bonus of $225,000 plus the sabbatical option. Dr. Cotton noted that University of Florida and University of South Florida are in the same sphere as it relates to enrollment, research and budget.

Dr. Cotton mentioned that he is unsure how the University of Central Florida Board determined the substantial increase in pay for its president recently, and that the increase makes UCF an outlier in the compensation summary. Trustee Soran stated that he spoke with members of UCF's board recently, and the indication was that the increase was related to their new medical school. The impact on the budget from gains such as medical grants will be significant.

Trustee Soran then asked what percentile the committee members felt was appropriate, as President Genshaft is currently below the 25th percentile. He explained that his business model uses the 90th percentile in order to focus on the top professionals in the business world. Dr. Cotton noted that in the non-profit sector, the 75th percentile is considered generous. President Genshaft is an experienced president, a good match culturally and managerially, and came up through the academic ranks. He stated that the president at George Washington University, one of the largest universities in Washington, D.C., came up through the administrative ranks.

Dr. Cotton said that most boards have three top abilities that they look for in a university president: 1) the ability to raise money and obtain resources; 2) the ability to be a good manager and to carry out the vision of the Board; and 3) the ability to understand and communicate with faculty. If a person has a track record at the institution, it makes them that much more valuable.
Trustee Ramil commented that his industry uses more conservative numbers, usually between the 50th and 75th percentile. Trustee Soran asked Dr. Cotton how many universities with budgets greater than $1 billion are currently looking for presidents. Dr. Cotton listed the following as universities who are currently looking, or will be soon, for a president: Georgia State University, Texas A&M University, Ohio State University, University of Cincinnati, Indiana University and University of Colorado. He also stated that this list will likely grow as many new searches begin during the summer because of the normal cycle in higher education.

Trustee Ramil recapped some numbers for the group.

In the national market, USF ranks:
- 6th in enrollment
- 12th in budget
- 20th in compensation

In the state market, USF ranks:
- 2nd in enrollment
- 2nd in budget
- 4th in compensation
- 2nd in research

Trustee Sembler asked for clarification of where the President's salary comes from. Staff explained that $225,000 of the salary comes from state funds because of the state mandated cap, instead of the $300,000 that was previously noted in the current contract. She also confirmed that a self-evaluation is submitted and reviewed by the Board of Trustees.

Trustee Soran stated that he supports the idea of retention compensation. Because of the complexity and growth being seen at the university, continuity is important. He also supports pay for performance, but does not like that the current system is discretionary. He would like to see defined goals and measurable results, preferably over a 3-5 year period. He explained his idea of stretched goals, meaning the attainment of 100% of the stated goal does not necessarily mean receiving 100% of the bonus. One needs to go beyond the stated goals to receive the full bonus. He would like to see more focus of the goals related to the strategic plan.

Trustee Ramil agreed with Trustee Soran on the idea of a base plus performance bonuses, and stressed that the stretched goals must be measurable. He also supports the idea of a retention incentive as it would make one think about what was being left on the table before leaving.

Trustee Sembler stated that Indiana University or Ohio State could be intrigued with President Genshaft, so we should do what we can to keep her here based on what the market says. She said that President Genshaft has great business sense and has established herself as a community leader. If we don't want to lose her, we need to come up with a spectacular package.

Dr. Cotton then outlined his suggested package:

Base salary $400,000 (UF base $416k; UCF base $463k)
Annual performance bonus up to $100,000
Total annual cash package $500,000

Based on a 5 year contract, retention incentive of $300,000:
  $150,000 after completion of first 3 years
  $150,000 after completion of last 2 years
(Annualized, the amount is $60,000 per year)

Retirement benefits:
10.42% of base (state regulated)
12% annuity (statewide norm)
Total is approximately $87,000

Dr. Cotton stated that since UCF was considered a market outlier that UF is more in line with what the Board should look at. Trustee Ramil suggested that a base of $395,000 would be 95% of the UF base. This would result in a 6½ % increase, which he stated was aggressive but not at all extreme and within the market. Trustee Ramil also stated that the annual performance bonus of up to $100,000 should require the President to set targets with minimum discrepancy, and that the performance would have to go beyond the target to receive 100% of the possible bonus.

Trustee Soran suggested using a sliding scale for the performance bonus. He explained the 80/120 system—80% of the goals must be reached to get anything, and 120% of the goals must be reached to receive the entire bonus. He also mentioned using a tighter scale of 90/110. He stated that he would like to see few goals that are very measurable in order to stay focused. He believes these goals should be set in concurrence with the Board and should be tied to the strategic plan.

Trustee Ramil suggested that the Compensation Committee meet annually to review and concur the goals to achieve the performance bonus, noting that the BOT Chair (Rhea Law) would have the final approval.

Trustee Ramil asked if the committee members were comfortable with that agreement, which they unanimously support. Other details of the contract were discussed. The Board agreed to the following:

- Remove the tuition plan for children as the completion of the current contract fulfills the obligation;
- No spousal travel subsidy (President and spouse prefer to personally cover expenses)
- Remove subsidy up to $2,500 for legal and financial advisors (President prefers to personally cover expenses)
- Additional 6-month sabbatical granted upon completion of the 5 year contract for a total of 1 year to be served at end of the presidency. No cash option provided.

Dr. Cotton noted that some universities are now offering salaries to the spouses of university presidents, as they are often unable to hold full-time positions due to the business of university-related duties. The President and her husband are not interested in this, and the board agreed to leave it out of the contract. Dr. Cotton also pointed out that many university presidents have drivers. However, staff and Board members agreed that President Genshaft is able to effectively make use of staff for this function, so a driver is unnecessary.
The other provision discussed is the requirement for the Board Chair and the President to meet at the end of Year 4 to discuss what will happen following the expiration of the president's contract.

Board members agreed that the contract effective date should be July 1, 2007 in order to be aligned with the university's fiscal year.

Dr. Cotton also suggested clearly defining permanent disability to ensure that it follows the language of the American with Disabilities Act. He also confirmed that the President's expenses should be reviewed at least annually by the Chair, which was already in place. It was agreed that the review would occur bi-annually by the Chair.

Trustee Ramil thanked the audience for their patience and opened up the floor for comments or questions.

Dr. Roy Weatherford, the representative for the USF Chapter of United Faculty of Florida stated that it is important for the university to have a good president, but noted that a university president's salary is not included in the evaluation of a university for membership in associations such as the American Association of Universities. He was disappointed that there was no participation by the faculty in the evaluation of the President. He argued that there is no empirical evidence that the President communicates well with faculty, and felt that shared governance is not encouraged. He noted that the faculty salary negotiations had not gone as smoothly as the process for the president had, and said that compression and conversion is what faculty desire. The USF UFF proposed a formula to include 80% of the national average based on rank of service and length of service, and never be lower than 20% of the national average. He is one of the people who would be affected by this.

Dr. Weatherford also stated that, of the people who USF refuses to give raises to, many are critics of the administration. He said that the university primarily needs good faculty because they determine the quality of a good university. He said the university should be as concerned about the well-being of the faculty as they are about the well-being of the President.

Trustee Ramil thanked Dr. Weatherford and asked if there were any other questions or comments from the public. Seeing none, he gave a summary of the agreed upon package:

-Base salary $395,000
-Potential Performance Bonus Up to $100,000 (based on annual goals/targets)
-Retention Incentive/deferred comp. $60 annualized (receive $150,000 after completion of Year 3, receive another $150,000 upon completion of Year 5)

-Start date of July 1, 2007
-Remove provisions for children's education, spousal travel, financial/legal advisory fees
-Define disability
-Properly describe approval of expenses by BOT Chair
*It was noted that 20% of the President's annual compensation would be at risk.

Trustee Soran made a motion to approve the outlined compensation package. Trustee Sember seconded the motion. The motion passed unanimously.
Trustee Tomasino made a motion to authorize Trustee Ramil, Dr. Cotton and General Counsel to make the necessary changes and present the final document to the full board. Trustee Soran seconded the motion. The motion passed unanimously.

**Adjournment**
Having no further business, Trustee Ramil adjourned the meeting of the University of South Florida Board of Trustees Compensation and Contract Committee.

Submitted by:

John Ramil
Chair, Compensation & Contract Committee