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University of South Carolina
BOARD OF TRUSTEES

Executive Committee

December 17, 2013

The Executive Committee of the University of South Carolina Board of Trustees met on Tuesday, December 17, 2013, at 10:15 a.m. in the Board Room at 1600 Hampton Street.

Members present were: Mr. Eugene P. Warr, Jr., Chairman; Dr. C. Edward Floyd; Mr. William C. Hubbard; Mr. Toney J. Lister; Mr. Miles Loadholt; and Mr. John C. von Lehe, Jr.

Other Trustees present were: Mr. Chuck Allen; Mr. Robert "Eddie" Brown; Mr. J. Egerton Burroughs; Mr. Mark W. Buyck, Jr.; Mr. Thomas C. Cofield; Mr. A.C. "Bubba" Fennell; Mr. William W. Jones, Jr.; Mr. Hubert F. Mobley; Ms. Leah B. Moody; Dr. C. Dorn Smith, III; Mr. Thad H. Westbrook; Mr. Mack I. Whittle, Jr.; Mr. Charles H. Williams; and Dr. Mitchell M. Zais.

Also present were faculty representative Dr. James H. Knapp and student representative Chase Mizzell.

Others present were: President Harris Pastides; Secretary Amy E. Stone; General Counsel Walter "Terry" H. Parham; Vice President for Academic Affairs and Provost Michael D. Amiridis; Chief Financial Officer Edward L. Walton; Vice President for Student Affairs and Vice Provost for Academic Support Dennis A. Pruitt; Vice President for Information Technology and Chief Information Officer William F. Hogue; Vice President for Human Resources Chris Byrd; Vice President for Development and Alumni Relations Jancy Houck; Interim Vice President for Communications Wes Hickman; Palmetto College Chancellor Susan A. Elkins; USC Beaufort Chancellor Jane Upshaw; USC Upstate Chancellor Tom Moore; Senior Vice Provost and Director of Strategic Planning Christine W. Curtis; Associate Vice President for Business and Finance and Budget Director, Division of Finance and Planning, Leslie Brunelli; Associate Vice President for Business and Finance and Medical Business Affairs Jeffrey L. Perkins; Associate Vice President for Student Affairs and Academic Support Jerry T. Brewer; College of Arts and Sciences Dean Mary Anne Fitzpatrick; Interim Dean, School of Medicine Columbia, Caughman Taylor; Chief Medical Officer and Associate Dean for Clinical Affairs, School of Medicine Columbia, William "Bill" Anderson; Interim Executive Vice Chancellor for Academic Affairs, USC Aiken, Jeff Priest; Vice Provost and Dean

of Undergraduate Studies Helen I. Doerpinghaus; Vice Provost and International Programs Director Timothy Doupnik; Senior Associate Dean for Research and Academics, Darla Moore School of Business, Brian Klaas; Associate Dean for Academic Affairs and Professor in the Department of Educational Leadership and Policies, College of Education, Zach Kelehear; Assistant Dean for Administration, College of Arts and Sciences, Mary Ann Byrnes; Associate Director of Strategic Planning and Assessment Cameron Howell; Executive Director for the Office of Economic Engagement William D. "Bill" Kirkland; Deputy Executive Director of the Office of Economic Engagement Ann Marie Stieritz; Associate Vice President for Business Affairs, Finance and Planning Division, Helen T. Zeigler; Associate Vice President for Administration, Division of Student Affairs and Academic Support, Stacey Bradley; Associate Vice President for Associate Vice President for Housing and Student Development, Division of Student Affairs and Academic Support, Gene Luna; University Treasurer Susan D. Hanna; Associate Vice President for Transportation and Logistical Relations Derrick Huggins; University Budget Director Harry Bell; University Controller Jennifer Muir; Director of General Ledger Accounting, Controller's Office, Mary Peak; Director of Accounting Services, Controller's Office, Ann Smith; Director of Financial Reporting, Controller's Office, Sandy Smith; Director of Academic Programs, Office of the Provost, Kristia H. Finnigan; International Student Services Director Jody Pritt; Director, Study Aboard Office, Jennifer Engel; Director of State Relations Trey Walker; Director of Facilities Planning and Programming and University Architect Derek S. Gruner; Special Assistant to the President J. Cantey Heath Jr.; Executive Assistant to the President for Equal Opportunity Programs Bobby Gist; Geneva Irvin, Division of Business and Finance; Gary T. Pope, Jr. with Pope Zeigler Law Firm; Wilson Jones with Brailsford and Dunlavey; Tom McNeish and Brian D'Amico with the audit firm of Elliott Davis, LLC; Rev. Tom Wall, Methodist Campus Ministry; University Technology Services Production Manager Matt Warthen; Board staff members Debra Allen and Ina Wilson; and members of the media.

Chairman Warr called the meeting to order and stated that notice of the meeting had been posted and the press notified as required by the Freedom of Information Act; the agenda and supporting materials had been circulated; and a quorum was present to conduct business. Mr. Hickman introduced members of the media in attendance: Thad Moore with *The Daily Gamecock*, Andy Shain with *The State*, and Rodney Welch with *Free Times*.

Chairman Warr stated that there was a need for the receipt of legal advice and to discuss proposed contractual matters appropriate for Executive Session. Chairman Warr called for a motion to enter

Executive Session. Mr. von Lehe so moved and Mr. Hubbard seconded the motion. The vote was taken and the motion carried.

Chairman Warr invited the following persons to remain: Trustees, the Faculty and Student Representatives to the Board, President Pastides, Secretary Stone, members of the President's Executive Council, Dr. Taylor, Dr. Anderson, Mr. Perkins, Ms. Zeigler, Mr. Kirkland, Ms. Stieritz, Dr. Doerpinghaus, Dean Fitzpatrick, and Mr. Jones.

Executive Session

Return to Open Session

I. Contracts

Chairman Warr called on Mr. Parham to present contracts requiring approval.

A. Software License Gift Agreement, College of Arts and Sciences

Mr. Parham said that the College of Arts and Sciences was seeking Board approval to accept a gift of software from IAVO (International Association of Virtual Organizations) Research and Scientific valued at \$2,688,000. Founded in 2000, IAVO Research and Scientific is an engineering and software development firm focusing on advanced geospatial science, with emphasis on 3-D modeling, digital elevation modeling, and imagery analysis. CEO of the company is Dr. Matt Heric, a USC graduate with a master's degree from the Geography Department and a PhD in Educational Research and Program Evaluation from Virginia Tech.

Mr. Parham said that IAVO is offering USC for free 112 licenses of GeoSpheric 3.0 software to be shared by the College of Arts and Sciences (109 licenses), and the College of Engineering and Computing (3 licenses). Included in the gift are free software updates for a period of three years. The software will be used to assist faculty in their teaching and research. The value of the software is based on the purchase price of \$24,000 per license times 112 licenses. The value of the maintenance, which is \$442,400 or \$3,950 per license time 112 licenses, is not included in the value of the gift.

Upon approval, IAVO will irrevocably transfer ownership of the licensed copies of software. Mr. Parham said the University does not incur any financial obligation as a result of accepting the gift. He also noted that IAVO donated 400 licenses of similar software to the University in 2009, valued at \$6,798,000, which was approved by the Board on August 7, 2009.

Chairman Warr called for a motion to recommend the full Board accept from IAVO Research and Scientific the gift of 112 licenses as described in the agenda materials and presented by Mr. Parham. Mr. Hubbard so moved. Mr. von Lehe seconded the motion. The vote was taken and the motion carried.

B. Amendment to Pharmacy Faculty Agreement

Mr. Parham explained that on June 15, 2012, the Board approved the renewal of a Pharmacy Faculty Agreement with Palmetto Health Richland for a term ending December 31, 2015. Under the agreement, the College of Pharmacy agreed to provide to Palmetto Health six clinical pharmacy faculty members on a part-time basis to provide pharmacy consultation services to physicians and other healthcare professionals in the hospital for which the College of Pharmacy is paid \$162,000 annually. On June 17, 2013, the Board approved an amendment to the agreement with Palmetto Health that added a seventh pharmacy faculty member to work in the hospital pharmacy for which the College of Pharmacy is paid \$40,000 annually.

Mr. Parham said that the College of Pharmacy now sought Board approval to amend the agreement with Palmetto Health again to add two additional part-time clinical pharmacy faculty members, bringing the total to nine. Palmetto Health will pay the College of Pharmacy \$27,000 annually for each of these additional clinical pharmacy faculty members, so that the total value of the contract will be \$256,000 annually. The two faculty members being added to this contract previously provided similar services to the VA, but the VA cancelled their agreement and the two are going to be transferred to the Palmetto Health Agreement.

The contract will expire December 31, 2015. All other terms and conditions of the Pharmacy Faculty Agreement will remain in effect, including the requirement that Palmetto Health will continue to allow the University's pharmacy students to receive education training and clinical opportunities at Palmetto Health. In that regard, Palmetto Health provides the College of Pharmacy, its faculty and students, with clinical facilities, office space, classroom space, access to library facilities, and other suitable space for teaching students in the clinical areas.

Chairman Warr called for a motion to approve the amendment to the Pharmacy Faculty Agreement as described in the agenda materials and presented by Mr. Parham. Dr. Floyd so moved. Mr. Loadholt seconded the motion. The vote was taken and the motion carried.

C. Indefinite Delivery Contracts

Mr. Parham said that on behalf of the Facilities Department, the University sought Board approval of 16 indefinite delivery contracts for consultant services: three for electrical consultants;

three for structural consultants, and 10 for architectural consultants. The 16 companies were listed in the agenda package. The University uses Indefinite Delivery contracts as a way to have companies readily available to respond to construction projects and needs on our campus.

These companies were selected through a competitive solicitation process outlined in the South Carolina Consolidated Procurement Code. The State Engineer establishes how many consultants in each category the University can select based on anticipated work load during the next two years, and the University selects the appropriate number of responding vendors based on factors such as experience and prior performance on USC projects.

The terms of the contract for each of these 16 companies are identical and are established by the State. The contract term is two years. During this time period, the maximum amount of work that can be performed by any one company cannot exceed \$500,000, and the maximum amount of work that any one company can perform on any one project cannot exceed \$200,000. The University is not under any obligation to give any of these companies a certain amount of work, or any work at all. The companies are merely on call if needed.

Chairman Warr called for a motion to approve the Indefinite Delivery Contracts as described in the agenda materials and presented by Mr. Parham. Mr. von Lehe so moved. Mr. Lister seconded the motion. The vote was taken and the motion carried.

D. Palmetto Health Memorandum of Understanding

Mr. Parham said that the Provost and President sought Board approval to enter into an agreement with Palmetto Health to appoint a search committee to facilitate the joint recruitment of a qualified individual to serve as a chief executive officer of an integrated medical group practice and executive dean of the University's School of Medicine. The search committee would be comprised of equal representation from Palmetto Health and the University and the cost associated with the search would be shared equally by the two parties.

Chairman Warr called for a motion to approve the agreement with Palmetto Health as described in the agenda materials and presented by Mr. Parham. Dr. Floyd so moved. Mr. Loadholt seconded the motion. The vote was taken and the motion carried.

E. Workshop Theatre Agreement

Mr. Parham said the University sought approval to enter into a lease termination agreement with Workshop Theatre under which the University would buy out the remaining three years of the theatre's current lease agreement on the property located on Pendleton Street. The University would

buy out the lease for the sum of \$350,000 to be paid \$25,000 on the approval of the agreement, \$50,000 in April 2014, and the remainder paid as Workshop Theatre incurs costs and expenses towards vacating the property.

Chairman Warr called for a motion to approve the Workshop Theatre Agreement as described in the agenda materials and presented by Mr. Parham. Mr. Lister so moved. Mr. Loadholt seconded the motion. The vote was taken and the motion carried.

F. Education Advisory Board Agreement

Mr. Parham said that Dr. Dennis Pruitt and Student Affairs sought Board approval of an agreement with the Education Advisory Board to join its Student Success Collaborative. The Student Success Collaborative is focused on the issues of student retention and timely graduation.

Under the agreement, the Collaborative will provide the University with a data analytics engine, student tracking system, and dashboard reporting tools.

The data analytics engine will be comprised of 10 years of USC student success data in conjunction with key academic milestones that are developed for each academic major, such as organic chemistry for chemistry majors, or a particular accounting course for accounting majors. The tracking system will enable advisors to access risk alerts when students do not reach key milestones and suggest other potential paths to keep a student progressing towards degree attainment. To assist University advisors in directing students into careers they may be best suited for, the Education Advisory Board has partnered with Burning Glass, a career placement and career data analytics company, to incorporate information on high demand career fields, current average salary information, job availability by geographic location, and other key career planning elements. Advisors will have access to this information when speaking with their advisees. The Student Success Collaborative will provide a web-based dashboard for deans and academic administrators to track degree progress by major or college and identify potential roadblocks to successful degree completion.

Mr. Parham said the Collaborative has nearly 80 members including the Cal State system, the University of Massachusetts system, Indiana University, Florida State University, the University of Kansas, and the University of Missouri. The term of the agreement is three and a half years at a total cost to the University of \$512,112 plus up to \$7,500 per year for travel costs and administrative expenses incurred by the three Education Advisory Board members who will be assigned to USC's contract.

Chairman Warr called for a motion to approve the Education Advisory Board Agreement as described in the agenda materials and presented by Mr. Parham. Mr. von Lehe so moved. Mr. Lister

seconded the motion. The vote was taken and the motion carried.

II. State Institution Bond Resolution for the Student Health Center

Chairman Warr called on Ms. Brunelli to present the bond resolution for the Student Health Center Project. Ms. Brunelli provided a brief update of the total bond status of the institution for background and perspective. She referenced the bonded indebtedness report provided each Board member at the meeting, also noting that the report was on the Board Portal. The report, which summarized the bond issuances as of June 30, 2013, was a companion document to the Comprehensive Annual Financial Report. Ms. Brunelli then provided details on total debt as of November 30, 2013, including a breakdown by campus. She said most principal payments are made in the spring of each year; therefore there was little difference between the November 30 information and that provided as of June 30.

Ms. Brunelli said that the limit to how much debt could be issued was \$500 million or 5 percent of the operating revenues of the University. She summarized the type of debt that could be taken out by the University: state institution bond debt; revenue bond debt that is primarily housing, parking and book store; and athletics debt. The only debt that has a statutory limit is athletics, which has a \$200 million cap. Revenue bond debt and state institution bond debt do not have statutory limits. For state institution bond debt, the University is allowed to use 90 percent of the tuition fees that are set aside each year for debt service.

Ms. Brunelli then reviewed the financing needs of the University, including those that had been approved but for which debt has yet to be issued. She further noted historical debt levels, pointing out that as debt has increased so has enrollment as has the current funds budget and the unrestricted net assets have increased. The Student Health Center Project is a \$27.5 million project of which \$13 million is expected to be state institution bonds. The project received its Phase II approval from the Buildings and Grounds Committee in November.

The bond resolution presented for approval was for \$13 million plus the issuance cost of 3.8 percent of the issuance amount, which is high, thus permission is sought to bond up to \$13.5 million for the project. If the issuance cost is less, the bond amount would be adjusted.

Chairman Warr called for a motion to recommend approval to the full Board of the General Obligation State Institution Bond Resolution authorizing up to \$13.5 million for construction of the Student Health Center as described in the agenda materials and presented by Ms. Brunelli. Mr. von Lehe so moved. Mr. Loadholt seconded the motion. The vote was taken and the motion carried.

III. Off-Cycle Fee Adjustments

Chairman Warr called on Ms. Brunelli who presented items related to several off-cycle fee adjustments. The first request was from the Darla Moore School of Business for a \$20,000 Military Rate for the Accelerated Masters of Business Administration, effective for the Summer 2014 term for a new academic track that initially will serve military personnel training at Fort Jackson. This is a 43-credit-hour, 10-month program and the rate is discounted from the University's average resident/non-resident Accelerated MBA program fee. The degree offering supports a General Partnership Agreement between the University and Fort Jackson.

The next request was for a new \$150 Study Abroad Fee and a \$300 Cohort Study Abroad Fee, beginning July 1, 2014. These fees will be charged to undergraduate students at the time they apply to study abroad in a credit-bearing program that is conducted overseas under the auspices of the University's Study Abroad Office. Students will be charged the \$150 fee each time they apply to study abroad. The only exception applies to those students involved in "cohort" programs who are required to study abroad multiple times during their undergraduate career. Cohort students will be charged a comprehensive fee of \$300 once upon submission of their first study abroad application, which will cover their multiple study abroad terms. The fee is non-refundable and the revenue generated will cover expenses associated with the study abroad program.

The third request was to increase the International Student Enrollment Fee from \$500 to \$750, and to increase the Short-Term International Student Fee from \$125 to \$187, effective July 1, 2014. This is a one-time fee charged to international students in the first semester in which they enroll for classes at the University. The non-refundable fee was originally implemented in 1992 and has not been adjusted since 2001. Revenues will support International Student Services.

The fourth request was for a new fee to be assessed on international students who are financially supported by their home country (e.g., through a scholarship awarded by the country's ministry of education). Sponsored international students enrolled at USC would be assessed a fee of \$250 per semester. Sponsored international students enrolled in USC's English Programs for Internationals (EPI) would be assessed a fee of \$125 in each of EPI's Fall I, Fall II, Spring I, and Spring II terms. The fee is non-refundable and the revenue generated will support International Student Services.

The fifth request was for New Student Orientation Fees on the Columbia campus. Ms. Brunelli said that the University needed to transition to a more intentional, comprehensive two-day orientation program for freshmen and an extended one-day schedule for transfers. By extending its orientation program, the

University will be able to holistically represent the opportunities, resources and expectations that await new students and their families, thereby improving the students' transition experience and ultimately, retention and graduation. The cost of the program is driven by meals, facilities, parking/transportation, staffing and technology that are essential to the success of this initiative. Students unable to pay the above orientation costs at the time of registration for orientation will be provided the opportunity to defer the charges to their fall tuition billing so that financial aid may be available to cover the cost. Effective April 1, 2014, the proposed fees are: \$195 for a freshman student and \$115 for a parent to attend a two-day orientation and \$105 for a transfer student and \$50 for a parent to attend an extended one-day orientation.

The sixth request was for a transcript fee of \$12 for both electronic and paper transcripts. Currently, Ms. Brunelli said, the paper transcript fee is \$8 and the electronic transcript fee is \$15. The new fee, which would be effective January 1, 2014, is made possible by using a state contract vendor that will offer a mechanism to outsource paper transcript ordering that previously was done in-house, while offering a reduced cost for electronic transcripts. The university processes about 55,000 transcript requests annually.

The seventh request was to extend USC Upstate's International Fee (in-state tuition and fees plus \$2,000) to all international partner and consortium universities with which the campus holds a contractual agreement. Currently the fee is for students in specifically named programs. Students from international partner and consortium universities would continue to pay the full rate for housing and meal plans.

Chairman Warr called for a motion to recommend approval to the full Board of the seven off-cycle fee adjustments as presented by Ms. Brunelli and described in the agenda materials. Mr. von Lehe so moved. Mr. Loadholt seconded the motion. The vote was taken and the motion carried.

IV. Comprehensive Annual Financial Report for the year ended June 30, 2013

Chairman Warr called on Mr. Walton who presented the Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2013. He noted the CAFR is comprised of the University's financial statements that were provided the Board in October 2013 coupled with Management's Discussion and Analysis. He noted that the Management Discussion and Analysis was the most concise and complete conversation about what was going on in the University's financial world. In addition to these sections, the CAFR contains a statistical section that covers the past 10 years.

Mr. Walton said the CAFR was started during President Pastides' administration and has been awarded the Certificate of Excellence for the past two years from the Government Financial Officers Association. Financially, the University has been growing in terms of revenue growth through tuition and also has been consuming resources that before and through the recession were being put aside for faculty

replenishment and for replacing the University's data systems. Mr. Walton specifically addressed a detail relating to unrestricted net position, formerly referred to as net assets or accumulated earnings. The University accumulated assets through 2011 and starting in 2012 the University spent about \$2.5 million of those assets and over \$13 million this year for purposes for which it was saved. Also included in this amount is about 90 days of operating cash so that the University is never in the position of having to borrow money for operations.

Mr. Walton also illustrated cost savings with a slide in his PowerPoint presentation that showed expenditures per FTE are less than they were in 2008, which is an efficiency measure. Given inflation and given the same amount of money at the old rate applied to each student that the University has added since the recession, Mr. Walton said that without cost savings, the University now would be spending \$1,154,723,963 instead of \$1,017,258,528. The University is improving quality and at the same time doing it at a lower cost per student, Mr. Walton said.

Among financial highlights, Mr. Walton cited an increase in net tuition and fee revenues by approximately 39 percent since 2009 due to enrollment growth, an increase in non-resident enrollments as well as tuition increases. Tuition increases have leveled off since 2007 following four years of double digit increases. For the Columbia Campus, he said, the undergraduate tuition increase for 2014 was 3.12 percent for resident and non-resident undergraduates.

Mr. Walton said that USC Columbia tuition and fees are above the College Board national average, yet no longer lead other public SEC institutions. For the 2014 academic year both the University of Kentucky and the University of Tennessee passed the resident undergraduate tuition rate for Carolina. The University of Georgia is now within \$600 dollars of USC tuition. Of the 13 public SEC institutions, eight had tuition percentage increases higher than USC Columbia with three in the double digits. In South Carolina Winthrop University, Clemson University and The Citadel have higher required tuition and fees.

Mr. Walton said that although state appropriations reduced dramatically during 2008-2012, the University System received new recurring funds in 2013 and 2014 for fringe increases, the Palmetto College and On Your Time Graduation strategic initiatives. For both fiscal years the state also allocated non-recurring funds for critical deferred maintenance projects. Gifts, grants and contracts have increased by \$32 million since 2009. As all research institutions expect pressure on future research awards due to federal budget negotiations and sequestration, USC is evaluating indirect cost recovery programs for reductions due to downward pressures on federal revenue. Grant awards reduced by 8 percent from 2012 to 2013. He also noted that the University is in the middle of the largest capital campaign in its history with a \$1 billion

goal and more than \$756.6 million collected at the end of the 2013 fiscal year.

There are always challenges and Mr. Walton concluded his remarks noting the following upcoming challenges: the Government Accounting Standards Board (GASB) Standard No. 61 that will require us to review how we deal with local commission of higher education; the implementation of the Affordable Care Act that could increase the University's costs by \$24 million ongoing; system campus enrollment trends that will cause the University's smaller campuses to be stressed for enrollments; soon GASB 68 will require us to bring into the University's financial statements the prorated liability of the state retirement system on the balance sheet with no related asset starting next year; and the constant battle to balance the operating and capital needs on campus.

Chairman Warr stated that this report was received as information.

V. Division of Law Enforcement and Safety Update

Chairman Warr called on Mr. Walton who noted that information had been placed on the Board Portal detailing how additional funding of \$1.8 million for Law Enforcement and Safety was being expended. He specifically referenced the increase in sworn officers and other employees in the division. For 2013-14, he said two officers were being added for crime prevention and two for crime suppression, one office for investigations, two officers for technical operations, and one officer for patrol operations along with administrative support. Mr. Walton emphasized the final paragraph of the letter detailing how additional funding was being used, which cited the need to focus law enforcement activities on campus and in the areas bordering the campus. Responding to a question, Mr. Walton said that the growth in enrollment and the expansion of the physical footprint of the campus was the basis for the increased needs in Law Enforcement and Safety.

In response to a question about the University's involvement with issues related to the Five Points area, Mr. Walton indicated that a strategic team of communicators, law enforcement, and planners had been created to help implement the President's vision to make Five Points more pedestrian friendly; improve the transportation in and out of Five Points; and work on a 2 a.m. closing. Progress is being made, Mr. Walton said, as efforts were underway to be prepared to execute a plan by the time activity levels increased again in the spring. President Pastides said that the University was working with the city, neighborhood groups, and Five Points' merchants to gain cooperation and be ready to implement a plan.

Chairman Warr stated that this report was received as information.

VI. Other Matters

There were no other matters to come before the committee.

VII. Adjournment

Since there were no other matters to come before the Executive Committee, Chairman Warr declared the meeting adjourned at 1:05 p.m.

Respectfully submitted,

A handwritten signature in blue ink that reads "Amy E. Stone". The signature is written in a cursive style with a large initial "A".

Amy E. Stone
Secretary