University of South Carolina
BOARD OF TRUSTEES

Executive and Governance Committee

February 21, 2020

The Executive and Governance Committee of the University of South Carolina Board of Trustees met at 12:50 p.m. on Friday, February 21, 2020, in the C. Edward Floyd Boardroom at the Pastides Alumni Center.

Members present were Mr. John C. von Lehe Jr., Chairman; and Mr. Hubert F. Mobley, Board Vice Chairman; Dr. C. Edward Floyd; Mr. Toney J. Lister; Mr. Miles Loadholt; and Mr. Eugene P. Warr Jr.

Other Board members present were Mr. C. Dan Adams; Mr. Chuck Allen; Mr. J. Egerton Burroughs; Mr. A. King Dixon II; Mr. Robert F. Dozier Jr.; Mr. William C. Hubbard; Mr. Richard A. Jones Jr.; Ms. Leah B. Moody; Ms. Rose Buyck Newton; Dr. C. Dorn Smith III; Ms. Molly Spearman; Mr. Thad H. Westbrook; Mr. Mack I. Whittle Jr.; and Mr. Charles H. Williams.

Also present were USC Columbia Faculty Senate Chair Mark Cooper and USC Columbia Student Government President Luke Rankin.

Others present were: President Robert L. Caslen Jr.; Secretary J. Cantey Heath Jr.; General Counsel Walter "Terry" H. Parham; Chief Operating Officer Edward L. Walton; Interim Provost Tayloe Harding; Vice President for Student Affairs Dennis A. Pruitt; Vice President for Human Resources Caroline Agardy; Athletics Director Ray Tanner; President's Chief of Staff Mark Bieger; Chief Audit Executive Pam Dunleavy; Presidential Faculty Fellow and Executive Assistant to the President Susan Bon; Interim Special Assistant to the President James Smith; Interim Chief Communications Officer Jeff Stensland; Chief Information Officer

Doug Foster; Senior Associate Provost for Inclusion and Chief Diversity Officer John H. Dozier; Interim Chief Development Officer Will Elliott; Assistant to the President for System Affairs Eddie King; Palmetto College Chancellor Susan Elkins; USC Aiken Vice Chancellor for Finance and Administration Cam Reagin; Professor and Director of the USC Parenting & Family Research Center Ron Prinz; Vice Provost and Dean of Undergraduate Studies Sandra Kelly; College of Arts and Sciences Dean Lacy Ford; University Controller Mandy Kibler; University Architect Derek Gruner; University Treasurer Pat Lardner; University Budget Director Joe Sobieralski; Associate Vice President for Administration and Finance and Medical Business Affairs Jeffrey L. Perkins III; Associate Vice President for Finance Kelly Epting; Assistant Controller Lindsay Anastasio; Director of Capital Budget and Financing Charlie FitzSimons; USC Bond Counsel Michael Seezen with the Burr Forman McNair Law Firm, LLP; Executive Director for the Office of Economic Engagement William D. "Bill" Kirkland; Executive Director for Strategic Initiatives Jack Claypoole; Office of Equal Opportunities Director Clifford Scott; Director of Public Policy and Advocacy Craig Parks; Director of Government and Community Relations Derrick Meggie; Palmetto College Faculty Senate Chair Christine Sixta Rinehart; Public Relations Strategist, USC Office of Communications and Public Affairs, Dana Woodward; Trustee Emeritus M. Wayne Staton; University Technology Services Production Manager Matt Warthen; and Board staff members Debra Allen and Terri Saxon.

I. <u>Call to Order</u>

Chairman von Lehe called the meeting to order and stated 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. Secretary Heath confirmed no Trustees had joined the meeting by telephone.

Mr. Stensland introduced members of the news media present for the meeting: Ben Breiner with *The*

State; David Cloninger and Mike Fitts with *The Post and Courier*; Chris Clark with Gamecock Central; Tyler Fedor with *The Daily Gamecock*; Josh Kendall with The Athletic; and Hale McGranahan with the Big Spur.

Chairman von Lehe called on Interim Provost Harding who announced Dr. John Dozier had accepted a position at the Massachusetts Institute of Technology. He recognized Dr. Dozier for "his exceptional work for the past number of years at Carolina as the chief diversity officer and also as a chief architect and major support of the University's community engagement apparatus that yields the Carnegie recognition as a Community Engaged Campus." He asked for a round of applause.

Motion for Executive Session

Chairman von Lehe called for a motion to enter Executive Session for a personnel matter related to Board committee appointments, a proposed contractual matter related to an Athletics employment agreement, and receipt of legal advice. Mr. Mobley so moved. Mr. Loadholt seconded the motion. The vote was taken, and the motion passed.

Chairman von Lehe invited President Caslen, Secretary Heath, Mr. Parham, and Mr. Tanner to remain in Executive Session.

Executive Session Removed

Return to Open Session

II. Appointment to Board of Trustees' Standing Committees

Chairman von Lehe called for a motion and second to appoint Board member King Dixon to serve on the Academic Affairs and Faculty Liaison Committee, Health Affairs Committee, and Student and System Affairs Committee. Mr. Lister so moved. Dr. Floyd seconded the motion. The vote was taken, and the motion passed.

III. Faculty Compression and Merit Increases Proposal

Chairman von Lehe called on President Caslen who requested Trustees approve $7.4 million of the $29 million Initiative Fund for faculty salaries to address issues of compression and merit.

The problem is there have been no merit salary raises for faculty since 2007, he said, nor any cost of living allowances. However, new faculty are hired at current market rates, which creates the problem of new assistant professors earning the same as an associate professor who has been employed for some time. This example is true through the ranks and creates an unfair inconsistency.

In a survey of Carnegie RI Institutions, President Caslen said, "the University of South Carolina is way below the average and the impact of that is we are not able to bring in the faculty we need to be competitive enough to reach the next level."

As for merit increases, he said there had been no merit incentives. For example, a professor from the College of Engineering and Computer Science who was elected to an all-time career achievement as a member of the National Academy of Engineering. "This is a huge and significant achievement. He is very much in demand, very competitive. We are at great risk of losing him if we do not provide some degree of merit reimbursement."

This also is an opportunity, President Caslen said, "for me as President and for the Board to reach out to our faculty. Recognizing salary issues with our faculty demonstrates that we care."

In response to questions from Trustee Whittle, President Caslen said the source of revenue was the $29 million fund set aside to use in addressing initiatives identified by the new president. He asked Interim Provost Harding to address Mr. Whittle's question of how merit increases are awarded.

Deans, department heads and chairs, and their faculty will determine how to expend the merit funding as of July 1 for two years, Interim Provost Harding said. Decisions will be made within each academic area about merit criteria and faculty who meet the criteria will be affirmed for a merit raise at the department level, at the dean level, and at the provost level. On at least these three levels, a faculty member will have to pass "muster" to receive a merit increase.

This $7.4 million is for the Columbia campus, Interim Provost Harding said in response to Trustee Mobley. The salary compression would address tenure and tenure-track faculty and the merit increases will be at the discretion of the departments and deans and could be awarded to clinical or research faculty as well as to tenure-track faculty.

Trustee Mobley said this was a good proposal, but the same issue occurs throughout the system and Palmetto College and at some point, the issue needed to be addressed for those campuses. Interim Provost Harding said merit salary increases have been discussed for campuses throughout the system by strategic priority teams on which he participates. Compression data for faculty at two-year institutions and in clinical ranks is hard to obtain, he added.

Chairman von Lehe called for a motion and second to recommend approval by the full Board of the following motion:

To authorize the President to approve and fund initiatives to address faculty salary compression and merit increases, and faculty retention awards, not to exceed the total sum of $7.4 million including proportionate fringe benefit costs, using the President's Efficiency Initiative Fund, as follows:

- approved faculty salary compression increases, not to exceed the total sum of $3.7 million including proportionate fringe benefit costs, may be awarded during Fiscal Year 2020
- approved faculty salary merit increases, and faculty retention awards, not to exceed an amount equal to the difference between the total amount of the faculty salary compression increases awarded during Fiscal Year 2020, and $7.4 million, including proportionate fringe benefit costs, may be awarded before the end of Fiscal Year 2022 and

- funds not awarded in accordance with this motion prior to the end of Fiscal Year 2022 will be returned to the President's Efficiency Initiative Fund.

Dr. Floyd so moved. Mr. Warr seconded the motion.

Trustee Whittle asked if it was appropriate to include a caveat that faculty must have completed their conflicts of interest (COI) form to receive a compression or merit increase. Interim Provost Harding confirmed a report would be presented in March as to ramifications for faculty who have not submitted COI forms. Trustee Moody said there is a committee where COI is addressed and a form linked in the Faculty Manual, so there should not be an issue with deans using completion of the COI form as one of the elements to determine a faculty member's good standing for consideration of a merit increase. Chairman von Lehe agreed deans and department heads should consider whether a faculty member has completed a COI form as part of the criteria for awarding a merit increase.

Trustee Smith stressed it was important to the Board to have quality faculty and being able to recruit new faculty to the University is imperative for the long-term health and growth of the University.

Faculty Senate Chair Cooper said the faculty appreciates the leadership of the President and Provost in making salary compression and merit increases a priority. He added an annual mechanism for insuring compliance with the University's COI reporting was needed, noting merit increases were unlikely to be available on an annual basis to use for this purpose.

The vote was taken, and the motion approved.

IV. Contracts

Chairman von Lehe called on Mr. Parham to present contracts.

A. National Resource Center for the First-Year Experience Conference Contract

Mr. Parham said the National Resource Center for the First-Year Experience and Students in Transition sought approval of a hotel event contract with the Hyatt Regency New Orleans. The hotel will be the site of the 45th Annual National Conference on the First-Year Experience on February 6-14, 2025.

This is a standard hotel event contract. Upon approval, the Hyatt Regency will hold the rooms described in the contract and individuals attending the event will pay for the rooms directly. The center has never had an event at which the minimum number of rooms were not utilized, he said. The center also is obligated under the contract to spend at least $275,000 in food and beverages during the event. The center will pay these expenses from the conference fees paid to it by individuals registering for the event.

If the center cancels the conference after the agreement has been signed by the parties, there are cancellation fees described in the contract that the center is obligated to pay based on when the cancellation occurs. The center has never cancelled a conference. It estimates approximately 2,000 people will register for the conference. Registrations will be $550 to $700.

Chairman von Lehe called for a motion and second to recommend approval by the full Board of the hotel event contract with the Hyatt Regency New Orleans. Mr. Lister so moved. Dr. Floyd seconded the motion. The vote was taken, and the motion was approved.

B. Off-Site Parking, Cedar Terrace Shopping Center-School of Medicine Columbia Lease Agreement

Mr. Parham said Derek Gruner and the Facilities, Planning Design and Construction Office sought approval of a lease between the USC School of Medicine (SOM) Columbia and Cedar Terrace Shopping Center Partnership.

The lease is for 230 designated parking spaces located at 6420 Garners Ferry Road across from the VA campus of the USC SOM. The parking spaces are needed to accommodate SOM faculty, staff and students because the VA is expanding and has reclaimed the use of a 13-acre tract of land adjacent to the SOM that the VA historically allowed the SOM to use for parking free of charge. The location of the leased parking spaces is particularly important to the SOM because faculty, students and staff can walk from the parking area to the SOM and, therefore, the SOM will not need to arrange for shuttles.

The lease document is the standard South Carolina Governmental Real Estate Lease public agencies are required to use. The lease was competitively solicited by the State Division of Administration to ensure the best possible rental rate was identified. Under the lease, the SOM will pay $60.12 per space per month, for an annual rental cost of $165,931.20. Total cost of the five-year lease is $829,656.

Chairman von Lehe called for a motion and second to recommend approval by the full Board of the lease agreement for off-site parking with Cedar Terrace Shopping Center Partnership. Mr. Warr so moved. Mr. Mobley seconded the motion. The vote was taken, and the motion was approved.

C. <u>1400 Pickens Street, Suite 400, Lease Agreement, Parenting & Family Research Center, College of Arts and Sciences</u>

Mr. Parham said Derek Gruner and the Facilities, Planning Design and Construction Office sought approval to renew the lease agreement between USC's College of Arts and Sciences and Baker and Baker for 8,111 square feet on the 4th floor of the building located at 1400 Pickens Street in Columbia.

The space will continue to be used by the college's Parenting & Family Research Center. The center conducts studies aimed at understanding and promoting the well-being of children in the context of family, school, and community. The center director is Dr. Ron Prinz, a full professor in the Psychology Department.

The lease document is the standard South Carolina Governmental Real Estate Lease public agencies are required to use. The lease was competitively solicited by the State Division of Administration. Under the lease, the center will pay $15.20 per square foot for the space, for an annual cost of $123,287. Total cost of the five-year lease is $616,436. The cost will be funded by an NIH grant Dr. Prinz received in the sum of $11,175,000.

Chairman von Lehe called for a motion and second to approve the lease agreement for Suite 400, 1400 Pickens Street. Mr. Loadholt so moved. Mr. Lister seconded the motion. The vote was taken, and the motion was approved.

D. Chonnam National University Academic Collaboration Agreement

Mr. Parham said the Darla Moore School of Business (DMSB) sought approval to amend its Memorandum of Understanding (MOU) with Chonnam National University in South Korea. This is a revenue generating contract for DMSB.

The original MOU with Chonnam, as approved by the Board in 2015, created a graduate, dual degree program under which students can earn an MBA from Chonnam and an Executive International MBA from USC.

Under that agreement, a cohort of up to 30 students will be selected by Chonnam to participate in the program each year. Students must meet the admission requirements of both institutions and study part-time at both institutions. Each institution is responsible for determining if the student meets the progression requirements for its degree. Students pay tuition to Chonnam and USC receives 25% of the tuition fee for each student in the program, plus $20,000 for each three-hour course taught by USC faculty, plus a stipend to cover travel expenses, room and board, for each USC faculty member traveling to Chonnam to teach.

Mr. Parham said the amendment authorizes a new cohort of 12 students who will each pay $39,000 tuition. Chonnam also will pay the DMSB a one-time supplemental fee of $9,000 as a negotiated amount to defray USC's costs in preparing for a larger cohort of Chonnam students than will participate. All other terms and conditions of the original MOU remain the same. DMSB expects to receive about $300,000 as a result of this cohort of 12 students, including reimbursement for faculty teaching courses at Chonnam and the cost of travel, room and board for faculty.

Chairman von Lehe called for a motion and second to approve amending the academic collaboration agreement with Chonnam National University. Dr. Floyd so moved. Mr. Warr seconded the motion. The vote was taken, and the motion was approved.

E. USC Development Foundation Lease Agreement, Gadsden Street Recreational Field

Mr. Parham said Derek Gruner and the Facilities, Planning Design and Construction Office sought approval to renew the lease agreement with the USC Development Foundation so the University can continue to use the 3.74 acres of land located at 737 Gadsden Street. This is the property between the Colonial Life Arena and Thirsty Fellows restaurant.

The University has leased this land from the foundation for many years, using it for parking until 2011 when the land was converted to a recreation field. This is the same land that will be repurposed back to parking this summer to benefit Greek Village students and commuters. The three-year lease is $97,008 per year, for a total lease cost of $291,024.

Chairman von Lehe called for a motion and second to approve the lease agreement with the USC Development Foundation for the Gadsden Street Recreational Field. Mr. Warr so moved. Mr. Mobley seconded the motion. The vote was taken, and the motion was approved.

F. PRISMA Health Memorandum of Understanding

Mr. Parham said Bill Kirkland, Executive Director of the Office of Innovations, Partnerships and Economic Engagement, sought approval of a Memorandum of Understanding (MOU) with Prisma Health.

Under the MOU, USC and Prisma Health will work together to identify opportunities for collaborations designed to address healthcare challenges such as new treatments for chronic diseases including cancer and diabetes. The parties will develop strategic plans for innovation, incubation of new ventures, corporate alliances, tech transfer and technology commercialization, and economic development opportunities involving industry, government, and the community.

Mr. Parham said the MOU is a natural extension of the successful relationship Mr. Kirkland's team previously developed with the Greenville Health System and Palmetto Health before they merged to form Prisma Health in 2019.

Chairman von Lehe called for a motion and second to approve the MOU with PRISMA Health. Mr. Loadholt so moved. Mr. Lister seconded the motion.

Trustee Smith said it was exciting to see the University on the lead of innovation and research with PRISMA. Trustee Whittle agreed, noting Mr. Kirkland and his group had made a big difference that would give the University a "good foothold in the Upstate."

The vote was taken, and the motion was approved.

G. Athletics Employment

Mr. Parham said President Caslen and Athletics Director Tanner sought approval of an employment agreement for a new assistant football coach, Rod Wilson. Coach Wilson will be assigned as a linebackers' coach. The term of the agreement would begin immediately and run through May 31, 2021, with an annual base salary of $275,000.

The contract contains the same incentives as contained in all assistant football coaches contracts, which includes the ability to earn incentives for winning the Southeastern Conference (SEC) Eastern Division or the SEC Championship, and based on the level of the bowl game to which the football team is invited to participate. Coach Wilson will receive the use of a vehicle and his buyout provisions are the same as those for other assistant football coaches.

Chairman von Lehe called for a motion and second to approve the employment agreement for Assistant Football Coach Rod Wilson. Mr. Lister so moved. Dr. Floyd seconded the motion. The vote was taken, and the motion was approved.

H. Gift Agreements

1. School of Medicine: Charles and Donna Bryan

Mr. Parham said in the Buildings and Grounds Committee meeting earlier in the day, several gift agreements and gift naming agreements were approved. Two of those involved gifts totaling more than $250,000 and, according to Board policy, those agreements also require approval by the Executive and Governance Committee.

First, he said, approval was sought for a gift naming agreement with Dr. and Mrs. Charles Bryan to name the Charles S. and Donna H. Bryan Health Sciences Library at the USC Columbia School of Medicine for the sum of $1,000,000.

Chairman von Lehe called for a motion and second to recommend full Board approval of the $1 million gift to name the Charles S. and Donna H. Bryan Health Science Library at the USC School of Medicine. Dr. Floyd so moved. Mr. Warr seconded the motion.

Mr. Parham confirmed the gift was for the current library and the name would follow to the new School of Medicine when it was constructed. Trustee Smith commented on how appropriate it was for the library to be named for Charles Bryan, "a native South Carolinian who is a scholar, Johns-Hopkins' trained, infectious disease specialist, absolutely brilliant."

The vote was taken, and the motion was approved.

2. Athletics Department: PRISMA Health

Mr. Parham said approval was sought for a gift naming agreement with Prisma

Health to name the Prisma Health Sports Medicine Center at the Athletics Department for the sum of $500,000.

Chairman von Lehe called for a motion and second to approve the $500,000 gift naming agreement with PRISMA Health to name the Prisma Health Sports Medicine Center at the Athletics Department. Mr. Warr so moved. Mr. Mobley seconded the motion. Athletics Director Tanner confirmed the Prisma Health Sports Medicine Center was in the Football Operations Center.

The vote was taken, and the motion was approved.

V. Debt Update and Refunding

Chairman von Lehe called on Ms. Kibler who provided an update on the system's outstanding debt and sought approval for athletic bond refunding. She introduced Michael Seezen with the Burr Forman McNair Law Firm who was in attendance to answer any questions regarding the refunding resolution she would present.

Ms. Kibler said at fiscal year-end on June 30, 2019, the outstanding debt balance was $560.7 million with a mix between state institution bonds and revenue bonds, both higher education and athletics. During the current fiscal year, the Board approved the Williams-Brice Stadium debt issuance of $21 million for athletic revenue bonds, which is on the calendar for issuance by May 1 along with the refunding request to be voted at this meeting.

Current cash flow is being used until the debt is issued along with the refunding, she said; thereby, resulting in savings of capitalized interest. In addition, $27.6 million in debt service would be paid in the spring bringing the projected outstanding debt as of June 30 to $554 million. "We will continue to look and review for saving opportunities through refunding, as appropriate," she said. The next refunding opportunity will be in 2022.

Regarding the current request, she said approval is sought for refunding of Series 2010A and 2010B, which will reach the 10-year call period May 1, 2020. These bonds were originally issued on September 1, 2010, for $78.9 million and funded major Athletics projects such as the Athletics Village, the Academic Enrichment Center, the Coach's support building, the tennis venue, the Farmer's Market property purchase, as well as the Athletics Village parking garage.

The bonds were issued with an interest rate of 5% and it is anticipated the interest for the refunding will be between 2.5% and 3% based on current market conditions, Ms. Kibler said. The present value savings over the life of the bonds will be $2.8 million. Series 2010A and 2010B required a debt service reserve fund at the time of issuance, which will be used to reduce a portion of the callable bonds reducing the amount to be refunded. This will increase the overall athletics revenue bond capacity, she added.

Ms. Kibler noted the state statute limit is $200 million and as of January 31, the Athletics Department had outstanding bonds of $173.6 million with a current capacity of $26.4 million. The projected debt capacity for Athletics is $ 14,496,450 on June 30, 2020, with the pending Williams-Brice Stadium issuance of $21 million, the spring debt service payment of $4.8 million, and the refunding request resulting in the $4.2 million debt service reserve being applied.

In response to a question from Trustee Whittle as to whether consideration had been given to building a reserve from interest savings resulting from refinancing to use for other purposes like reducing debt more quickly, Mr. FitzSimons said the Athletics Department is always seeking ways to maximize its funds for operating purposes, and that it does maintain reserves as necessary to fund its debt service account. He said creation of a debt service reserve fund was not planned. Trustee Whittle said such a reserve would be beneficial given the likelihood of rates increasing, which would result in operating funds having to be used to cover the increase. Ms. Kibler said she would discuss this with Athletics Department Chief Financial

Officer Jeff Tallant.

Chairman von Lehe called for a motion and second to recommend approval by the full Board of the refunding resolution for Athletic Revenue Bonds. Mr. Warr so moved. Mr. Mobley seconded the motion. The vote was taken, and the motion was approved.

VI. Mid-Year Financial Review

Chairman von Lehe again called on Ms. Kibler who said a management tool had been developed in the Finance and Administration Dashboard of the Strategic Plan to help track relevant financial key performance indicators (KPIs). The tool is essential for executive leaders, the President, and the Board to see a snapshot of the KPIs, which would provide confidence in the financial health of the University system.

The dashboard was first developed at the end of Fiscal Year 2019 and had been refined over the past several months to obtain the version presented to the Board. The document will be refined with new KPIs and will be produced quarterly, moving to a monthly production schedule, she said. Each Dashboard KPI will have a benchmark for measuring the University's performance and activity. The Dashboard, which will be accessible through the Finance and Administration website and the Controller's website, ultimately will be dynamic, providing detailed data for each KPI.

Ms. Kibler explained the Dashboard's current KPIs.

The Cash Management KPI contains two components – unrestricted operating cash and restricted operating cash. Unrestricted operating cash is an important KPI since is illustrates the cash position at any given time during the year. It is particularly important to monitor and analyze cash position at critical times, especially the beginning of each semester when there are large transactions in tuition and fees, and to assure the University is drawing federal financial aid in a timely fashion. She reminded Trustees that it is management's priority to maintain a three-month operating cash reserve, which is calculated at the beginning of each fiscal year.

The 2020 reserve is $239 million, the current benchmark for unrestricted operating cash. The University had a strong cash position of $680 million as of December 31, 2019. Operating cash is higher during the first couple of quarters of the fiscal year when the University receives its lump sum state appropriations. This will trend down as the University moves toward the end of the fiscal year. In addition to state appropriations, unrestricted operating cash represents all unrestricted funds including education and general funds, auxiliaries and Athletics.

The KPI for restricted cash represents all sponsored awards, scholarships, capital reserves, and endowments. The benchmark to which performance and progress is measured is growth of restricted cash balance over the prior year's ending balance. The University has a strong restricted cash position, which was $321 million as of December 31, 2019. Restricted cash is comprised of spendable endowment of $126.3 million and capital reserve funds of $149.7 million, Ms. Kibler said. She noted the restricted cash balance was typically lower during the first two quarters of the fiscal year due to timing of reimbursements from University Foundations for scholarships.

University endowment is another KPI, which has a performance benchmark based on the growth of the endowment balance over the prior year's ending balance. The University's endowment currently is $695 million, including corpus and spendable funds. Of this amount, $539 million is held by University Foundations with a portfolio mix of restricted, unrestricted, quasi, term and permanently endowed funds.

Ms. Kibler said this KPI shows a caution sign for progress and performance, which means currently the balance of the endowment is lower than the previous year, a result of an increase in expenditures in the spendable portion of the endowments that exists. With current market conditions regarding current investments, she said, it is anticipated this benchmark will show positive performance by fiscal year end. Reviewed annually, this KPI will migrate to a quarterly review.

Trustee Hubbard noted concern over the measurement showing a lower endowment compared to when the year started, a year in which the S&P was up 28%. "We need to look at our spending policies if that is the case," he said.

Ms. Kibler said this was reflective of only looking at the numbers annually, as more information is gathered on a quarterly basis. Improvement will be seen with the quarterly reporting, she said.

The financial strength and stability of the University is the focus for the dashboard, she said, noting the Composite Financial Index (CFI) is tracked monthly and reviewed annually in the financial statements to help inform the decision-making processes. Developed by the National Association of College and University Business Officers (NACUBO), the CFI is derived using four ratios:

- Primary Reserve Ratio, which helps to discern if the resources of the institution are sufficient and flexible enough to support the mission

- Viability Ratio, which analyzes whether the financial resources (including debt) are managed strategically to advance the mission. The ratio measures the availability of expendable net assets to cover debt should the institution need to settle its obligations at the Statement of Net Position date.

- Return on Net Assets Ratio, which analyzes whether the asset performance and management support the institution's strategic direction

- Net Operating Revenue Ratio, which helps to evaluate whether the institution is living within its available resources.

The performance benchmark for this KPI is 3.00, which represents a relatively strong financial position. The University averaged 3.32 as of June 30, 2019, she said. Significant is the University's upward trend, increasing annually over the past three years in three of the four ratios. The growth illustrates the University's strategic directions and its re-aligning of resources to initiatives. Moving into Fiscal Year 2021, she said, the CFI would be calculated on a quarterly basis.

There are two KPIs to determine if collections in revenues and expenditure rates are in line with where it was predicted the University would be in comparison to the budget approved by the Board. Thus far, she said the total current revenue received for Fiscal Year 2020 was 78% or $1.33 billion of the $1.7 billion budget. This benchmark through December is 50% and with the University's spring revenues being collected in December, the University is well above the benchmark, placing it in a good position to meet or exceed the revenue forecast for Fiscal Year 2020.

As for the Fiscal Year 2020 total current fund expenditures and transfers, she said 47% or $882 million of the $1.87 billion budget had been expended. Again, the benchmark for this KPI is 50% through December and it illustrates the University is expending at lower levels than anticipated. If the trend continues, the University will expend less than the budget and this will lead to continued growth in net position at fiscal yearend.

Another KPI is the debt coverage ratio, which is a measurement showing the University's ability to cover its debt. At fiscal yearend in Fiscal Year 2019, the University and Athletics continued to show a strong debt coverage ratio above the 1.2 benchmark. Debt coverage is an important KPI for the University's rating agencies, as well as insuring the University's strong financial health. With the move to quarterly financial statements, Ms. Kibler said the debt coverage ratio would begin to be calculated quarterly.

In response to Trustee Williams and Whittle, Ms. Kibler said benchmarks were industry standards or, where those were unavailable, a benchmark was selected to represent growth over the previous year. She indicated that bonding agencies examined the University's CFI ratios and debt coverage ratio that were compared against industry standard benchmarks.

Tuition and enrollments provide two important KPIs to demonstrate the University's financial health year over year. The benchmark for tuition is based on growth over the previous year, with the measurement presented for Fall 2019 and Spring 2020 to date, plus a forecast for the remaining spring and summer. Since the Columbia campus represents 76% of the overall system, it is reviewed separately. Actual tuition and fees plus the forecast are $627 million, which represents about 3% growth over the prior year for the system. The Columbia campus also shows growth over the prior year, she said.

As for enrollment, it remains strong and stable with Fall 2019 freshmen class the largest ever. The enrollment benchmark is based on growth over previous year's total enrollment headcount for undergraduate and graduate students. System numbers are strong for 2020, with a 2.32% increase over 2019. The Columbia campus represents 70% of the increase.

The final KPI is the age of facilities ratio, Ms. Kibler said. This ratio calculates the average age of plant facilities measured in years. A low ratio indicates an institution has made recent investments in its plant facilities, while a high ratio signifies an institution has deferred investment. An acceptable level for the ratio is 14 years or less for research institutions, which demonstrates the institution is making necessary reinvestments in maintaining its facilities.

The University system maintains over $1.4 billion in capital assets, with 75% of those assets being buildings and building improvements. Facility Services on the Columbia campus maintain 214 University-owned buildings on 450 acres of land. The benchmark for this KPI is 14 years and the University is above this at 17 years, indicating a need to reinvest additional dollars in the University's plant for capital and maintenance purposes.

While the University has missed this benchmark, she said, it offers an opportunity to "keep a pulse on it for overall planning and reinvestment for the physical plant and for guiding discussions in regard to legislative requests for maintenance and capital dollars." She added there are many historic buildings on the

University campus, which are fully depreciated. This ratio compares accumulated depreciation to current year depreciation. In doing that, if new buildings are not constructed and investments are not made in new capitalized assets, the resulting ratio will be higher than the industry standard benchmark. Since 2016, the University has exhibited stability in this ratio because of new buildings and renovations.

In conclusion, Ms. Kibler said this is the first version of the Administration and Finance Dashboard. It is meant to demonstrate how important KPIs are to the University. KPIs have always been measured, monitored, and reviewed by the Finance Executive Team. Placing the KPIs in a dashboard format offers a recurring snapshot for the President and Trustees, illustrating the Finance Executive Team is reviewing and analyzing these components to ensure the University is always in good financial health. Other KPIs can be added to the dashboard over time. In addition, she said, the Controller's Office will begin next fiscal year to issue draft financial statements quarterly, which will help in moving the annual KPIs to a quarterly review that will provide more information to the President and Trustees for use in their decision making.

Chairman von Lehe thanked Ms. Kibler for her informative report. Trustees Burroughs and Adams expressed their appreciation for the detailed report. Ms. Kibler confirmed for Trustee Allen the University holds title to the land referenced in her presentation.

She also confirmed for Trustee Hubbard she would provide more information about the endowment and how it was invested. Trustee Hubbard also asked about the asset allocation, as well as the investment and spending policies of the foundations. Trustee Westbrook said it would be helpful to know what pools of money are limited by the constitutional restriction on investments. Ms. Kibler expressed ultimately the goal is to be able to review endowment information monthly to better identify trends and when investment policies may need to be changed.

Trustee Smith expressed interest in obtaining a recurring program, preferably with a match from the state, for deferred maintenance. Trustee Moody reminded Board members of a previous request for information about development staff on campus and their interaction with the foundation. She said this information was being collected for a report to the Academic Affairs and Faculty Liaison Committee, so perhaps a broader report needed to be made to more than one committee of the Board.

VII. New Budget Model Update

Chairman von Lehe called on Mr. Sobieralski who said strides continued toward increased transparency while building a budget model in alignment with the goals of the Board. Since the last update, the Budget Office has continued to work collaboratively with deans, the Faculty Senate, academic and administrative leaders. Additionally, he said, the University's audit firm, Elliott Davis, continues to indicate support for the information being produced.

Mr. Sobieralski said work was continuing with education and training initiatives, and updates were provided in various venues including the Provost Retreat. Other initiatives related to the new budget model also have been implemented. Support Unit Allocation Committee meetings have actively involved deans and Faculty Senate members in budget-related conversations regarding what indirect costs might be allocated to colleges. This group provided recommendations to the University Budget Update Group.

Efforts also continued to convey the new budget model is moving forward, and to explore opportunities related to finding a technology solution that is superior to Excel to support the new budget model.

Efforts and progress have continued in addressing areas of concern expressed by deans and others by creating structures in the governance process through policy groups and other committees to actively work through the concerns. The referenced governance structure was highlighted for Trustees to examine as part of Mr. Sobieralski's PowerPoint presentation. The structure is active and continues to engage multiple stakeholder groups from across the University, he said.

With attention shifting to reporting unit-level performance in the new budget model format, Mr. Sobieralski offered details on the new structure of the reporting. Trustees requested simple, summary level information and to that end the reports have been structured to highlight total revenues, total expenses, and margins. Samples of this were presented in summary fashion with the goal to provide Trustees information that is representative of operational plans and performance but not so detailed that the information loses its strategic focus.

Mr. Sobieralski's summary slides illustrated the Fiscal Year 2020 budget, actual expenditures as of October 31, 2019, and comparison of budget to expenditures. Analytics also will be compiled at the end of February 2020 since these two reporting periods represent points when most tuition collections for each semester should be completed. The simple analytics allows comparison of expected performance to budget, he said, allowing ease of identifying and answering questions so the analytics can be refined and improved over time.

He discussed the unit level financial plans for Fiscal Year 2020 as presented in the summary slides and illustrated by columns for revenues, expenses, margin prior to model allocations, the model allocations, and the margin after rebalancing that takes place as a result of the model allocations. He noted additional details were provided on the Board Portal for Trustees to review. The summary slides also indicated which academic units are net contributors and which units' revenues failed to exceed costs.

In conclusion, he said efforts continue to work through the development and reporting calendar for the new budget model and necessary progress is being made to meet the Fiscal Year 2021 budget deadlines

President Caslen then asked Trustees to consider three questions and to offer him their feedback and guidance over the coming days:

1. Are Trustees comfortable with the presented summary format (Revenue, Expenses, Margins, Simple Analytics)? What information are Trustees looking for as the transition is made to the

new budget model? Is this the right format, do Trustees want it modified in any way?

2. When do Trustees want to be briefed in the future regarding budget matters, and who do Trustees want to do the briefings? (i.e. CFO/Budget Director/Deans/Administrators)
3. Does the Board want to create a Finance Committee, and what role does it have in this process? He noted this is under consideration and voiced strong support for a Finance Committee to work closely with the administration, especially during the transition and implementation of the new budget model.

Trustee Whittle offered that it would be good in the new budget model to see where the money came from and where it went in regard to the funds to be used for the faculty salary increases discussed earlier in the meeting. There will be a financial element to accomplish the University's strategic plan, he said, adding that the new budget model should let Trustees see where money originates and that it funds those areas that help accomplish strategic goals.

Trustee Smith thanked Mr. Sobieralski for his presentation, noting movement is in the right direction. He added the report remains "a 10,000-foot view" and needs to become more specific. Also, for units that lose money, consideration must be given to how to make those units more efficient; realizing, he said, there will be units that will have to be carried financially in order to be comprehensive university. "The loss margin must be narrowed as much as is reasonable," he said.

As for the President's questions, Trustee Smith said the Board's recently appointed ad hoc governance committee would meet in the coming weeks and would make recommendations after reviewing best practices around the country.

Trustee Burroughs also praised the amount of progress being made and said he agreed that a more detailed view of each unit was needed as noted by Trustee Smith. He also said detailed information would allow Trustees to focus on the "administrative overhead" being charged against each unit, which could be a burden for the academic units.

VIII. Fee Simplification Update

Chairman von Lehe called on Ms. Epting who provided an update on the fee simplification project. Academic fees have become prolific since the very simple fee schedule of the 1980s, she said, noting this was not about fees such as those for housing, meals, or belonging to a Greek organization. Too many specific fees by college and course cause confusion when students and parents need to plan adequately for bills. An optimal fee structure is needed, she said, while avoiding over-simplification that can result in unfairly charging students for courses they are not taking or services they are not using for their major.

Ms. Epting said the University's academic pricing structure needs to strike the right balance, enhancing customer service and improving operating efficiencies. The project's goals include:

- Revenue neutrality
  - Academic colleges will collect the same revenue
  - Students will pay the same value of fees appropriate for their major
  - 0% increase in tuition and academic fees for Fiscal Year 2021
- Student bills will have fewer academic fees and consistent totals from term to term
- 800+ individual course fees can be eliminated across the system, through grouping of the same costs in an efficient manner
- Budget, Bursar, Financial Aid, and Registrar's offices will operate more efficiently.

After providing a comparison of invoices a student now receives with a draft of what a new invoice might look like, Ms. Epting said project work will continue. Meetings have taken place with academic deans and others as the project steering committee work to maintain revenue neutrality for the project. Another year of data is being collected to ensure the dollar amounts assessed are correct, so fee simplification will be part of the budget presented for Board approval later in the year, she said.

Student Government President Rankin thanked Ms. Epting for reviewing the project with him and

Dr. Cooper prior to the meeting. For students, he said, one of the biggest things of the year has been fee transparency. Explicit communication about fees while providing the ability to spread these costs over semesters will be beneficial. Mr. Rankin also requested student representation be added to the project steering committee. Faculty Senate Chair Cooper echoed Mr. Rankin's comments, stressing the importance of transparency.

IX. Adjournment

There being no other business to come before the committee, Chairman von Lehe declared the meeting adjourned at 3:05 p.m.

Respectfully submitted,

J. Cantey Heath, Jr.
Secretary