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University of South Carolina

BOARD OF TRUSTEES

Ad Hoc Committee on Strategic Planning

November 30, 2010

The Ad Hoc Committee on Strategic Planning of the University of South Carolina Board of Trustees met on Tuesday, November 30, 2010, at 9:15 a.m. in the 1600 Hampton Street Board Room.

Members present were: Mr. Mack I. Whittle, Jr., Chairman; Mr. W. Lee Bussell, Sr.; Mr. William C. Hubbard; Mr. William W. Jones, Jr.; Ms. Leah B. Moody; Mr. John C. von Lehe, Jr.; Mr. Thad H. Westbrook; and Mr. Miles Loadholt, Board Chairman. Mr. Herbert C. Adams and Mr. Eugene P. Warr, Jr., Board Vice Chairman, were absent.

Other Trustees present were Mr. Greg Gregory and Dr. C. Dorn Smith.

Others present were: President Harris Pastides; Secretary Thomas L. Stepp; Vice President for Academic Affairs and Provost Michael D. Amiridis; Chief Financial Officer and Vice President for Finance and Planning William T. Moore; Chief Information Officer and Vice President for Information Technology William F. Hogue; Vice President for Student Affairs and Vice Provost for Academic Support Dennis A. Pruitt; Interim Administrator for the Division of Human Resources Judith Owens; General Counsel Walter (Terry) H. Parham; Vice Provost and Executive Dean for Extended University Chris C. Plyler; Senior Vice Provost Christine W. Curtis; Vice Provost and Dean of Undergraduate Studies Helen I. Doerpinghaus; Vice Provost Lacy Ford; Associate Vice President for Finance and Budget Director, Division of Business and Finance, Leslie Brunelli; Associate Vice President for Business Affairs Helen Zeigler; Associate Vice President for Resource Planning Edward L. Walton; Associate Vice President for Facilities Tom Quasney; Director of Governmental and Community Relations and Legislative Liaison Shirley D. Mills; Associate Director of Governmental Affairs and Legislative Liaison Casey Martin; Managing Director for Higher Education Services, Huron Consulting Group, William A. Jenkins; Manager for Health and Education Consulting, Huron Consulting Group, Benjamin Kennedy; Director of the Office of Media Relations Margaret Lamb; and Board staff member Karen L. Tweedy.

The meeting was called to order. Ms. Lamb indicated that no members of the media were in attendance. Chairman Whittle stated that notice of the meeting had been posted and the press notified as required by the Freedom of Information Act; the agenda had been circulated; and a quorum was present to conduct business.

I. Committee Status Report: Due to an unavoidable traffic delay, the Chairman

was not able to present a report at this time.

II. President's System Vision Report: President Pastides made the following comments:

As you know, for a little over two years we have been in what I would call 'fierce and furious planning.' I believe that everybody knows that I am committed to working more effectively as a system. We are a powerful university system, one of the largest in the United States and, I think, one of the most dedicated and committed to being part of our state's progress and future.

We stand on the dawn of a new government and I am enthusiastic about that. I think of the word 'hope' but it is more than just hope in the sense of luck or fate. I think it is hope in the sense of what we can expect to happen and I think the people and the government of South Carolina deserve an efficient and effective university system.

We began in my first year in the presidency embarking on what we call 'Focus Carolina' and I truly believe we can say it touched every single individual engaged with the University - every faculty member, every student, alumni, many other constituent groups and, of course, the Board of Trustees.

There were a lot of recommendations, but not a lot of money to begin moving forward, so we entered into Phase II called 'Advanced Carolina.' During that phase, we whittled away the many recommendations.

Several months ago, we engaged our colleagues who are here with us today from the Huron Group to review what we had come up with as a planning document and to also benchmark what we were suggesting we might be able to do with best practices at great universities around the United States.

I think the Huron Group today will make an extraordinary presentation relative to both our efficiency and our effectiveness. Parenthetically, let me say that some of us will be meeting with Governor-elect Haley later today and we are planning and expect to begin to make progress partly on her own campaign commitment to work more effectively with public higher education toward being more flexible, more accountable, toward measuring and monitoring things that are important to her that she refers to as 'core mission.' We are all in favor of that.

Let me also recognize the bittersweet news we received yesterday from Ted Moore. He has accepted the position of Provost and Vice President for Academic Affairs at Georgia Southern University beginning March 1, 2011. Ted has been a stellar, consummate professional who has helped us to 'keep our ship upright in turbulent waters.' He has been studious and strong and correct and a major reason why we are faring so well today in these continued turbulent waters. Ted has already said some wonderful things about his time here at the University, but certainly at the right time we will all want to wish Ted very well and a great future.

III. Campus System Study: Chairman Whittle called on Dr. Moore who updated the Committee regarding two major upcoming Focus Carolina initiatives.

He advised that the Campus Master Plan, developed with the assistance of Sasaki Associates, Inc., will be presented to the Board of Trustees on December 13th in draft form. During that same week, it will also be presented and discussed with other constituent groups including faculty, staff and students; a final plan will be presented to the Board in the near future for adoption.

In addition, Dr. Moore noted, the beginnings of a strategic financial plan were presented to the Committee approximately 1½ years ago. A major part of the plan was a debt capacity study which was undertaken with the assistance of Barclays (the University's investment bank). Dr. Moore was scheduled to meet with a representative from Barclays later today to discuss the latest perspective of this study in view of the current market conditions; results will be reported to the Committee in the near future.

The System Campus Study spanned the full USC System. Planning efforts, he stressed, were "borne amidst some rather major financial challenges" which continued today. It was forecast that FY 2012 will bring another major state cut (perhaps \$20 million to the Columbia campus alone) and \$24-\$25 million for the System. Also anticipated were likely tuition caps and possible limits on nonresident enrollment.

"It is against this backdrop that you should hear the savings measures that have arisen and will be recommended today by the Huron study group."

Dr. Moore advised that Huron Consulting Group had been asked to examine various University services which supported the System mission (facilities, human resources, procurement, enrollment management, and distance education in particular); multi-million dollar efficiencies had been identified. Huron was also asked to review general education requirements systemwide; to analyze and compare the University system governance structure with systems in other states; and to assist a University study team in reviewing the Columbia budget model process.

He introduced Bill Jenkins from Huron; his area of expertise in the higher education sector included strategic planning, operational improvement, budgeting, organizational design, leadership, values, research administration, human resources, facilities management and other administrative and financial functions.

He also introduced Ben Kennedy from Huron whose expertise in the higher education sector included strategic planning, cost reduction, revenue enhancement, enrollment management initiatives and tuition strategy as well as university governance and rationalization of academic priorities and resources.

IV. Huron Consulting Group Report:

Mr. Jenkins thanked the University's senior leadership and the Board for allowing the company to assist in this systemwide study in terms of efficiency (cost reduction, revenue enhancements and better service). He stated that a team of four-five people had been at the University for the past four months. "We visited all the campuses, met with hundreds of people and what you will see is the benchmarking results in the eight areas we were asked to review."

He introduced Mr. Kennedy who explained that the University had engaged Huron to: (1) assess the effectiveness in cost management throughout the eight-campus system; (2) identify possible ways in which operating effectiveness may be increased; (3) develop measures for determining efficiency and effectiveness in administrative and academic programs; (4) collect data for use in budgeting and other program evaluation purposes; and (5) benchmark comparative performance metrics of similar university systems to evaluate operating efficiency among the USC campuses.

In addition, data was collected internally for use in budgeting and other program evaluations; benchmarking was also developed around comparative performance metrics of similar systems to evaluate the efficiency among all of the campuses.

Comparison institutions were identified for USC Columbia, the flagship campus; the

four-year senior campuses; and, finally, the two-year senior campuses. For each of these three distinct sets of campuses, a number of different types of "competitors" were identified (enrollment competitors; cluster analysis; aspirational peers).

Reference institutions used in benchmarking comparisons with the eight USC campuses fell into five main groupings: Aspirational (previously identified by USC as aspirational peers); Enrollment Competitors (as reported by the college board or, for two-year regional schools, South Carolina community and/or technology schools closest in proximity to USC two-year regionals); Cluster Analysis (reflected similar institutional characteristics as USC schools); Internal; and Carnegie Class (for two-year regional schools, these schools were in the "Associate's Public 2-year colleges under 4-year University" Carnegie Class).

He further explained that for Cluster Analysis, they selected a sampling of 300-400 universities across the United States and applied to them 20-25 different metrics such as total revenues; total enrollment; graduate enrollment. In addition, Huron identified clusters of schools with "the same look and feel" - approximately the same undergraduate enrollment; the same revenues; the same mission; the same classification in terms of the Carnegie Classification. "It is a way we have endeavored to try to remove bias from the selection of reference institutions."

Mr. Kennedy summarized the findings for each campus based on these benchmarking tools. Specifically, the USC Columbia campus had shown consistent improvement in student quality during the past five years and outperformed many comparison institutions in selectivity, yield and draw (combination of yield and selectivity and a technique to gauge how well the admissions strategy was being executed); expenditures per student were the lowest of its comparison group and the faculty to administration ratio was the highest. Student performance metrics had improved, such as retention and graduation rates, but remained below comparison institutions. Of concern was sustainability in the light of changes in state appropriations during the past 3-4 years. "We are already squeezed down relative to our reference institutions in terms of our cost delivery. How much further can we go without making some larger changes?"

USC Aiken had steadily increased its revenue per full time equivalent student, but also their operating expenses at roughly the same rate.

USC Beaufort was in a state of transition from being a two-year campus to a four-year campus.

For the two-year campuses, many students were transferring predominantly to USC Columbia. Evidence also suggested that Salkehatchie and Union may be experiencing greater administrative costs per student because their student to faculty ratios were significantly higher than those at the other two-year schools.

"Overall, we did not encounter any serious red flags among the campuses. It was very balanced and, on the whole, as we looked at five-year trends for these campuses, we saw generally very positive trends in the areas of student quality, operational

effectiveness and efficiency and in outcomes such as six year graduation rates and the amount of research that is being done especially on the Columbia campus."

Discussion was held about a strategy to present this information to the public. Mr. Kennedy explained that there were metrics which demonstrated that relative to various institutional peers, the University System was "fairly lean." Secondly, the University had taken upon itself during the past two years to face the budget crisis and to reduce appropriations "squarely."

We are now going to talk about the eight different areas that we analyzed. The first theme is the idea of the USC System as a "hub-and-spoke" model with USC Columbia as the hub. It is Huron's hypothesis that this system is an extremely efficient way to deliver centrally distributed services across the system. We generally see that you are able to get those economies of scale; that you are able to create one service in one place distributing it out from a central area and that is typically the way that you achieve these low costs of administration. I think the chancellors and the deans will tell you that they could not do what they do without the centrally-distributed services like human resources, procurement, information technology.

What we looked at in many of these areas is how we can strengthen this hub-and-spoke relationship, how can we make sure that we are delivering resources efficiently from a cost perspective? And, also, how can we do it effectively? How can we make sure that Columbia and the other seven campuses are getting the resources they need to be effective in their mission. Where can we find cost reductions? Where can we continue to be leaner, but where do we need to make sure that we are providing the services and the resources to our campuses that they need to operate successfully. That's always a tough challenge.

Mr. Kennedy reported that the findings indicated revamping of various infrastructure processes was needed. For example, the procurement area was not using technology as effectively as possible, which could generate extensive cost savings for the system. Unfortunately, he further commented, it was an area that required upfront investments to realize long term recurring cost savings.

On the other hand, enrollment management had technology systems in place, but not necessarily throughout the system; therefore, certain areas needed to be analyzed further.

Mr. Kennedy characterized Human Resources as an area that had limited and aging technology. The reporting system used throughout the USC System did not seem to meet all of the needs of the outlying schools. In addition, there were risks of attrition as some very valuable and talented employees were considering retirement soon.

In the facilities area, repair work that had been deferred for a number of years was needed due to a lack of proper resource allocation. "That makes the challenge of cost reductions in this area even more challenging."

Chairman Whittle was concerned that space utilization had not been a focal area of the study. In response to his question whether a square foot per student ratio was available from peer institutions, Mr. Kennedy indicated that this information could be easily assembled.

Mr. Kennedy displayed a chart of cost reduction/revenue enhancement amounts suggested by Huron in the following five areas: Procurement; Distance Education;

Facilities Management; Human Resources; and Enrollment Management which totaled \$36 million. Another chart summarized the various Huron recommendations to realize the cost savings measures. Also listed were the following three areas with concomitant service enhancement recommendations: System Governance; General Education Requirements; and Budgeting (Columbia specific).

Overarching these recommendations was a critical question for each of the areas which Huron had posed. They were as follows:

Procurement: How should USC best achieve efficiency enhancements in Procurement?

Distance Education: Does the Board of Trustees support the centralization of USC's future distance education activities?

Facilities Management: Should USC Columbia move forward with a major re-alignment of its facilities management? Should the Board of Trustees modify its approval level for capital projects to correspond with the state's threshold?

Human Resources: What levels of resources are needed to restructure the Human Resources function to support the new vice president?

Enrollment Management: How should USC proceed in streamlining admissions processes?

System Governance: Should all regional campuses continue to report to Columbia independently, or might some be aligned with other regional campuses or senior campuses?

General Education Requirements: Should USC articulate a long-term goal of creating a common general education curriculum for the system?

Budgeting: Does the Board support a budget model that gives central leaders strategic control, while retaining financial accountability for local leaders (e.g., deans)?

Mr. Kennedy further reviewed individual overview summaries of the potential cost savings opportunities which Huron had identified for each area or "business case." He noted that each of the areas had generated a 20-80 page business case detailing the analyses which Huron had conducted.

In the area of Distance Education, Provost Amiridis suggested that the University present an academic response to the Huron suggestions which would focus on the operational perspective within the current technical climate. "We are trying to get our hands around it and see if it makes sense to try to codify and organize it on a central basis without messing around with things that work." The broader question to address, Mr. Hubbard suggested, involved the manner in which the current generation was going to learn. Preliminary conclusions indicated multi-media with an extensive use of interactive technology.

Dr. Lacy Ford advised that preliminary research had indicated a learning process called "distributed learning" as opposed to "distance learning" which will embrace the different ways of distributing a course. The good news, he commented, was that cutting

edge pedagogy could be delivered through very affordable technology. Mr. Hubbard believed distributing information using modern technology had "enormous potential for savings."

President Pastides noted that there was a movement in universities, and especially urban universities, to create a new paradigm of 12-month learning in order to use classrooms and residence halls in the summer rather than letting them stand empty. Therefore, a traditional master's degree requiring two years (24 months) of study, potentially would require only 17 or 19 months of study (1 fall, 1 spring and 2 summers).

Dr. Moore advised that the University planned to carefully review all of the Huron suggestions and to begin to determine how they could be budgeted over time. He particularly noted that the University would continue dialogue with the State Procurement Officer about modification of legislation so that the University could potentially reap a "double benefit" from cost savings opportunities in this area. Chairman Whittle suggested that the University incorporate those cost saving procedures requiring little or no "upfront costs" and to fund others with the net savings.

In response to Chairman Whittle's question about "next steps," Dr. Moore offered remarks. Initially he thanked Huron Consulting Group and Mr. Jenkins and Mr. Kennedy in particular. "I want to tell you that when we asked Huron to come in, we asked them to tell us what they see and not necessarily what we wanted to see. The results are educational and informative and I think we are going to find value from this for months and years to come in a lot of ways."

He believed that the opportunities for saving money and performing more effectively and efficiently were "absolutely real" and would require management attention on a sustained basis. He also encouraged the development of a strategic communication approach to present this information particularly to the political leadership of the state.

President Pastides believed that every board member deserved an opportunity to hear the report. He recommended that the administration return to this committee with its response in preparation for presenting the report with recommendations of implementation to the full Board during its upcoming annual retreat in the spring.

He suggested the possibility of sharing these results with the Commission on Higher Education, other colleges in the state as well as Governor-elect Haley and her administration at an appropriate time. "I think this is the story of the University under pressure that went out, looked at itself very carefully and is prepared to make change."

Mr. Hubbard stressed the importance of implementation as quickly as possible to ensure a continuous movement forward. He characterized the current situation for the University as a crisis in terms of finances. "We need to do everything we can right now to alleviate that problem so that we can continue to focus on our core mission. I am a

big believer in strategic thinking and this is a strategic document."

Chairman Whittle concluded, "What you are hearing today is let's not wait in executing the strategy. When we meet in February, tell us what you have already done and then when we have the retreat, talk about what remains to be done and what has already been done and how it will relate to potential shortfalls in the budget that we might have."

Since there were no other matters to come before the Ad Hoc Committee on Strategic Planning, Chairman Whittle declared the meeting adjourned at 12:00 p.m.

Respectfully submitted,

Thomas L. Stepp
Secretary