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University of South Carolina
BOARD OF TRUSTEES

Executive Committee

April 25, 2014

The Executive Committee of the University of South Carolina Board of Trustees met at 11:35 a.m. on Friday, April 25, 2014, 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. 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 Lindsay Richardson.

Others present were: President Harris Pastides; Secretary Amy E. Stone; Provost Michael D. Amiridis; Chief Operating Officer Edward L. Walton; General Counsel Walter "Terry" H. Parham; Chief Financial Officer Leslie Brunelli; Vice President for Student Affairs Dennis A. Pruitt; Vice President for Information Technology William F. Hogue; Vice President for Human Resources Chris Byrd; Vice President for Development and Alumni Relations Jancy Houck; Athletics Director Ray Tanner; Vice President for Facilities and Transportation Derrick Huggins; Chief Communications Officer Wes Hickman; Executive Director for the Office of Economic Engagement William D. "Bill" Kirkland; Director of State Relations Trey Walker; Director of Government and Community Relations and Legislative Liaison Shirley Mills; Chief of Staff, President's Office, J. Cantey Heath Jr.; Palmetto College Chancellor Susan A. Elkins; USC Aiken Chancellor Sandra Jordan; Executive Vice Chancellor for Academic Affairs, USC Aiken, Dr. Jeff Priest; Director of Facilities Planning and Programming Derek S. Gruner; College of Arts and Sciences Dean Mary Anne Fitzpatrick; Associate Director of Strategic Planning and Assessment Cameron Howell; University Treasurer Susan D. Hanna; Executive Director of Internal Audit Pam Doran; University Controller Jennifer Muir; Director of Capital Budgets and

Financing, Division of Administration and Finance, Charlie Fitzsimons; Alan Lipsitz, bond attorney, Nexsen Pruet LLC; Director of Facilities Design and Construction Jeffrey D. Lamberson; Cumming Corporation USA Vice President David Lindsay; USC Columbia Student Government Vice President Donnie Lorio; USC Columbia Student Government Treasurer Ryan Harman; USC Columbia Student Government Senator Tatiana Chin; Secretary of Environmental Affairs, USC Columbia Student Government Executive Cabinet, Jessica Parker; USC Upstate Student Government President Alexander Dukes; USC Upstate Student Government Vice President Sandy Vang; USC Upstate Student Government Treasurer Jaquan Drayton; USC Upstate Student Government Secretary Brittni Shannon; University Technology Services Production Manager Matt Warthen; and Board staff members Debra Allen and Terri Saxon.

I. Call to Order

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 stated that no members of the media were in attendance for the meeting.

II. Contracts

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

A. LYRASIS Subscription Services

Mr. Parham said that on behalf of University Libraries, he had three subscription agreements to submit for Board approval.

In the first agreement approval was sought to purchase access through LYRASIS Subscription Services, a regional library consortium that negotiates with database providers to obtain electronic resources at a substantial savings for its consortium members, to the 13 databases listed in the Board's agenda materials for fiscal year 2014-2015. Under the agreement, USC Columbia, USC Beaufort and the USC Regional Campuses would have access to the materials at a total cost of \$340,000, payable from library funds.

Chairman Warr called for a motion to approve the subscription agreement with LYRASIS as described in the agenda materials and presented by Mr. Parham. Mr. von Lehe so moved. Mr. Loadholt seconded the motion. The vote was taken and the motion carried.

B. Wiley Subscription Services

Mr. Parham said that under the second agreement, which was with Wiley Subscription Services, University Libraries would obtain access to 468 subscription titles and 909 full collection databases for a five-year period at a cost of \$3,653,177 to be paid from the University Libraries Materials budget.

Chairman Warr called for a motion to recommend that the full Board approve the five-year contract with Wiley Subscription Services as described in the agenda materials and presented by Mr. Parham. Mr. Lister so moved. Mr. Hubbard seconded the motion. The vote was taken and the motion carried.

In response to a question from Mr. von Lehe, Mr. Parham indicated that these contracts are used by University Libraries to obtain electronic services for acquiring materials in response to books being phased out and that earlier versions of each contract had come before the Board.

C. EBSCO Subscription Services

Mr. Parham said that the final contract for University Libraries was a one-year agreement with EBSCO Subscription Services, which would provide USC Columbia access to approximately 8,800 journal titles and approximately 50 EBSCO host databases at a cost of \$4,404,000.

Additionally, under the contract, EBSCO would serve as the University Library's manager of electronic publications so that, for example, if the Library had a problem with access to a particular journal, EBSCO would be responsible for serving as a troubleshooter to contact the publisher and fix the problem. For this service, EBSCO would receive a fee based on the date that University Libraries pays the \$4.4 million. Mr. Parham said that the service charge cannot exceed 2.4 percent or \$105,696. Based on the expected date of payment, University Libraries projects a fee of \$88,499, Mr. Parham said, indicating that funding would come from the Library Materials budget. Mr. Cofield commended University Libraries on significantly reducing the service fee it would be charged.

Chairman Warr called for a motion to recommend that the full Board approve the EBSCO contract as described in the agenda materials and presented by Mr. Parham. Dr. Floyd so moved. Mr. von Lehe seconded the motion. The vote was taken and the motion carried.

D. Corporate Solutions, LLC, Amendment

Mr. Parham said this past summer, the USC Business Partnership Foundation (BPF) created a separate but wholly owned eleemosynary corporation named Corporate Solutions, LLC. This was

done for risk management purposes and in order to better protect the endowment assets of the BPF. On August 9, 2013, the Board approved an assignment by the BPF to Corporate Solutions of BPF's rights and responsibilities under its 1982 Master Agreement with the University. One of those rights assigned to Corporate Solutions was the right to occupy and use certain space on the eighth floor of the Darla Moore School of Business as well as certain parking facilities.

Now that the Darla Moore School of Business (DMSB) was moving to a new building, Mr. Parham said it was necessary for Corporate Solutions to also relocate to the new location. So, as a housekeeping matter, the DMSB and the BPF sought Board approval to formally amend the 1982 Master Agreement to authorize Corporate Solutions to occupy and use comparable space in the new building.

Chairman Warr called for a motion to approve the amendment 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.

E. Speech and Hearing Research Center Lease

Mr. Parham said that the USC Department of Communication Sciences and Disorders, an academic unit of the Arnold School of Public Health, sought Board approval of a five-year lease agreement for its Speech and Hearing Research Center. The center provides quality diagnostic and treatment programs for individuals with communication disabilities (i.e., speech, language and hearing) and is essential for the clinical training of master's degree students.

Under the new lease agreement, the center would lease 17,719 square feet (16,950 usable) on the third floor of the building located at 1224 Sumter Street in Columbia, South Carolina. This lease would allow the center to consolidate its operations in a single location at a lower per-square-foot cost, terminating the two existing leases for space at 1601 St. Julian Place and 2718 Middleburg Drive. Speech and Hearing will pay \$11 per square foot in years one and two, increasing to \$11.22 in year three, \$11.44 in year four, and \$11.67 in year five – for a total five-year rental cost of \$998,111.40. In addition, the center will pay utilities, as well as an annual operating expense in the sum of \$27,818.83 – \$1.57 per square foot – to cover the cost of elevators, janitorial, taxes, and trash removal. The annual operating expense will increase 2 percent annually. The rental amount also includes 75 reserved spaces in an adjacent parking garage.

Mr. Parham noted that the landlord, Patel & Pournaras, LLC, was renovating the space at its expense so that the space would accommodate the needs of the center.

Chairman Warr called for a motion to recommend that the full Board approve the lease agreement for the Speech and Hearing Research Center 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.

III. Faculty and Staff Awards Program Resolution

Mr. Parham said that the 1993/94 Appropriations Act adopted by the General Assembly included a provision requiring the governing body of colleges and universities to approve the written criteria for each award made in connection with faculty and staff award programs.

In response, in December 1993, this Board of Trustees approved the USC Faculty and Staff Awards Program, which at the time consisted of 55 awards. Most of the awards are \$250, \$500 – in that range. In 1994, this Board authorized Tommy Stepp, Board Secretary at the time, to act on its behalf and vested him with authority to approve awards up to \$25,000.

Secretary Stone has been reviewing the program, which has expanded considerably in the past 21 years. As a result, Mr. Parham said that Board approval was sought for a resolution with two goals: First, removing Tommy Stepp's name and designating the "Secretary of the Board of Trustees" with the position-specific authority to approve awards up to \$25,000; second, requiring the Secretary to provide the Board annually with a list of all awards that are part of the Faculty and Staff Awards Program.

The resolution's second element is significant, according to Secretary Stone, Mr. Parham said because this information has not been routinely provided to the Board in the past and the awards program has grown to approximately 138 awards on all system campuses combined. As a starting point, Mr. Parham said that a list of current awards has been compiled and provided in the agenda materials for this meeting, as well as on the Board Portal. The list will be updated – for instance, the names of award administrators are out-of-date and need to be updated – and provided to you annually in the future.

With that background, Mr. Parham read the following resolution:

"The Secretary of the Board of Trustees is hereby authorized to approve on behalf of the Board of Trustees written criteria for an award that is part of the USC Faculty-Staff Awards Program and that does not exceed \$25,000 in value in any fiscal year. The Secretary of the Board shall annually provide the Board of Trustees an updated list of all awards in this program."

In response to a question from Mr. Burroughs about the total dollars awarded, Mr. Parham and Secretary Stone indicated that information would be tallied and provided. Mr. von Lehe asked about the

\$25,000 limit, which seemed high. Ms. Stone indicated that currently the Michael J. Mungo Outstanding Teacher Award this year increases to \$20,000, which is funded fully by the Mungo Foundation. In response to Dr. Smith's question about funding sources and how many awards exceeded \$10,000, Mr. Parham referenced the chart that was provided in the agenda materials that listed each award's criteria and funding source that vary considerably. Secretary Stone said that a count would be done and the information provided to Dr. Smith on how many awards are over \$10,000.

Chairman Warr called for a motion to recommend approval to the full Board of the Faculty and Staff Awards Program resolution as presented by Mr. Parham. Mr. Hubbard so moved. Mr. Lister seconded the motion. The vote was taken and the motion carried.

IV. Bond Resolution – Rutledge College and Legare/Pinckney Comprehensive Renovation

Chairman Warr called on Ms. Brunelli to present the bond resolution for the Rutledge College and Legare/Pinckney Comprehensive Renovation. Before presenting the resolution, Ms. Brunelli presented an update on the University's bond indebtedness as of March 31, 2014. The institution's bonded indebtedness is updated on a monthly basis, she said, indicating that the amount has not changed much since June 30, 2013, only about a \$3 million difference, since most of the principal is paid in April, May and June. Ms. Brunelli showed totals by type of debt and by campus, noting the addition of a new schedule that graphically depicts a summary of state institutional bonds, revenue bonds and athletic revenue bonds. \$18.4 million will come off the principal by the end of the current fiscal year, Ms. Brunelli said, with \$24 million in interest to be paid for a total debt obligation this year of \$42.6 million.

Ms. Brunelli also reviewed the University's financing needs that Barclay's used to conduct USC's debt capacity study in February 2014. The number has changed a little, she said, since the time frame has been extended a year forward. In response to a question about the University's debt ceiling, Ms. Brunelli explained that there was not a debt ceiling as far as state institution bonds were concerned. The capacity is what is set aside to service that debt; however, there is a political ceiling since such items have to be approved by the State Joint Bond Review Committee and the Budget and Control Board. But so long as the institution has set aside the tuition and fees to service the debt, there is no legislative cap number anywhere. The only type of University debt that does have a cap is the athletic revenue bonds that have a \$200 million cap and the University currently is at \$121 million, with an additional \$39.9 million scheduled to be added, for a total of about \$160 million. She next reviewed this historical indebtedness by campus.

Moving on to the bond resolution related to Rutledge College and Legare/Pinckney, Ms. Brunelli

said the project had undergone various iterations at different dollar amounts. Staff had fully analyzed the project to determine if there was a way to fund it without taking \$7.1 million into the long-term market. However, the facilities needed renovation and to wait longer to raise the additional cash to do the renovation would mean an increase in the cost more than would be beneficial.

Ms. Brunelli provided a cost breakdown of the project, showing \$7.15 million with an issuance cost of 3 percent plus a debt service reserve for a total of \$8.2 million. Included in the resolution was the opportunity to re-fund up to \$20 million any existing higher education revenue bond debt should market conditions provide a material financial advantage. Ms. Brunelli noted that re-funding bonds can only be done with agreement from the State Treasurer's Office and that the University re-funded what it could in 2012 because the market time was right.

Chairman Warr called for a motion to recommend approval to the full Board of the bond resolution authorizing up to \$8.2 million for the Rutledge College and Legare/Pinckney Comprehensive Renovation as described in the agenda materials and presented by Ms. Brunelli. Mr. von Lehe so moved. Mr. Hubbard seconded the motion. The vote was taken and the motion carried.

V. FY15 Budget Planning Update

Chairman Warr called on Ms. Brunelli who, having updated the Board on the debt, proceeded to update the Board on financing activities and budget development. She began her report by announcing that the University's Comprehensive Annual Financial Report (CAFR) had received the Government Financial Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting, which was the third straight year the University had competed and received the award. Ms. Brunelli recognized USC Controller Jennifer Muir and her staff for this significant distinction.

As far as budget development, Ms. Brunelli described the current status as gridlock as far as the state budget was concerned since the Senate had adjourned for the week without completing a Senate Finance Budget. Internally, she said the Provost was meeting with academic units to review their strategic plans and five-year pro formas. In two weeks, the President would be meeting with his direct reports on the service side of the University, following which the budget would start coming together. In eight weeks, the Board would be asked to approve the Fiscal Year 2015 budget.

Ms. Brunelli summarized the Governor's Executive Budget that previously had been provided the Board. She noted that USC Columbia was allocated \$2,500,000 in recurring funds for the On Your Time Graduation Initiative, which received non-recurring funds in Fiscal Year 2014. Palmetto College campuses

received new recurring funding for parity, which received similar funding on a non-recurring basis in Fiscal Year 2014. The Governor's Executive budget did not include a pay plan but it did allocate \$11,571,961 for deferred maintenance for the USC System, which require a one-to-one match.

As for the House of Representatives Budget, Ms. Brunelli said, there was no increase in recurring dollars made available to higher education. USC Columbia was allocated non-recurring funds of \$1,000,000 for the fair funding proposal – the President's Time Out Initiative – while USC Aiken, Beaufort and Upstate were allocated \$200,000 each in non-recurring funds for parity. Palmetto College campuses were allocated non-recurring parity funding equal to amounts for Fiscal Year 2014. The USC System was allocated \$1,515,679 for the Higher Education Efficiency Study – funds that would be returned to the State to fund the \$4 million study. There was no funding for deferred maintenance and a 1.5 percent pay package in the House Budget, she said.

Ms. Brunelli said that the final State pay package would have a significant impact on the University's budget. She summarized the impact on appropriated funds by campus and on all funds by campus. The systemwide impact on appropriated funds would be \$4.75 million if the proposed 1.5 percent pay plan takes place, with the State providing about a third of the necessary funding to cover the cost. In addition, there will be an increase in the employer retirement contribution on July 1 for which there will be no State funding. There will be another increase in employer contribution for health insurance on July 1, for which the State will cover a good portion; but the cost of the Affordable Care Act with a scheduled implementation of January 1, 2015, will not be covered by State funding. Ultimately, the University will be responsible for \$6.5 million in costs not covered through State funding. When all other aspects of the University's operation are added to the core educational function such as Housing, which is self-supporting, the University's total estimated non-funded cost at this time is \$11.2 million.

Ms. Brunelli next outlined the University's Columbia Campus 2014-2015 preliminary needs, a list that each campus will develop as the University internal budget planning process continues. Using the Columbia Campus list as an example, she said the pay package and fringe impact was of most concern followed by increases in tort, property and casualty insurance coverage; utilities; library materials; the 4 percent fee waiver, which under State law can be provided back through scholarship aid to students; year-two of the Faculty Salary Compression program; year three of a three-year program to increase the number of law enforcement and safety officers on campus; the capital renewal plan, which annually requires additional dollars for deferred maintenance and ongoing preventive maintenance; and with the increase in

students on campus, Student Affairs has needs in Financial Aid, Disability Services, and other student support services, and there are support needs in the Finance area for the same issues.

Ms. Brunelli said that finance information was continuing to be developed at the unit level. She summarized information defining units and the detail data that was contained in a comprehensive document available in the Resource Center on the Board Portal. She indicated that as service units met with the President in May, they would provide cost savings, cost containment and cost avoidance data for the current year, as well as providing information on how they could take a 3 to 5 percent budget cut. No new initiatives would be solicited. This is an exercise to prepare for the future financial crises, as well as a way in which to identify additional funds that may be available internally.

In conclusion, Ms. Brunelli said that it was likely the Board would receive two versions of the University budget depending on how the State budget progresses. The Board also would be provided benchmarking information comparing USC with other schools in the Southeastern Conference, a summary of the "A" fund operating unit data, the Tuition Cost Study for Fall 2013, and the State appropriation per resident FTE (full-time equivalent) student for Fall 2013.

Chairman Warr stated that this report was received as information. Mr. Burroughs congratulated everyone on receipt of the GFOA Certificate of Achievement, which was a great honor for the University.

VI. OneCarolina Update

Chairman Warr called on Dr. Hogue for an update on the OneCarolina project. Dr. Hogue emphasized that University Technology Services is in the business of managing complexity and risk. At any given time within the University system, there were about 80,000 addressable devices operating on USC networks across the state and everyone one must be able to communicate with each other.

Over the past several months, Dr. Hogue said, conversations had been underway with external parties about the future of information technology. Part of the conversations included thorough self-analysis and one of the things that underscores the complexity of what is managed daily is that no less than 164 independent software systems are operated and integrated to support 55,000 users every day. He said that in the information technology (IT) business the goal was to achieve five 9s of reliability, which means that the University's IT systems should be operating at 99.999 percent reliability – a level that allows one hour of down time out of every 10,000 hours.

Providing diagramed timelines, Dr. Hogue went on to report that new systems for financial and business operations are scheduled to go live on July 1, 2015. New systems for human resources are

scheduled to go live on January 1, 2016. He stressed training efforts that are ongoing, as well as the emphasis on security and the student experience. He also described emerging initiatives in predictive data analytics, improved research cyber infrastructure, and cognitive computing.

Chairman Warr stated that this report was received as information.

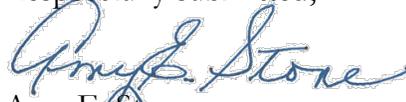
VII. Other Matters

There were no other matters to come before the committee.

VIII. Adjournment

Since there were no other matters to come before the Executive Committee, Chairman Warr declared the meeting adjourned at 12:30 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