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University of South Carolina

BOARD OF TRUSTEES

Ad Hoc Committee on Strategic Planning

October 16, 2008

The Ad Hoc Committee on Strategic Planning of the University of South Carolina Board of Trustees met on Thursday, October 16, 2008, at 12:30 p.m. in the 1600 Hampton Street Board Room.

Members present were: Mr. Mack I. Whittle, Jr., Chairman; Dr. C. Edward Floyd; Mr. William C. Hubbard; Ms. Darla D. Moore; Mr. Miles Loadholt, Board Chairman; and Mr. Samuel R. Foster II, Board Vice Chairman. Mr. John C. von Lehe, Jr. was absent.

Others present were: President Harris Pastides; Secretary Thomas L. Stepp; Vice President for Planning Dr. William T. (Ted) Moore; Vice President and Chief Financial Officer Richard W. Kelly; Director of the Office of Media Relations, Division of University Advancement, Margaret Lamb; University Technology Services Production Manager Justin Johnson; Board staff member Karen Tweedy; and a member of the media.

Chairman Whittle called the meeting to order and welcomed everyone. Ms. Lamb introduced a member of the media who was 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 and supporting materials had been circulated; and a quorum was present to conduct business. Chairman Whittle directed the attention of the Committee to the first agenda item and called on President Pastides.

I. What is Focus Carolina - Report from the President: President Pastides made the following remarks:

Let me start by thanking our Chairman, Miles Loadholt, for convening this group. I think this is a very important step, perhaps historic, in making sure that the Board and the President and his administration work together to study the priorities for our great University and to ensure we are in harmony with each other.

Let me say a few words about the current budget crisis. Mr. Kelly will address this topic in greater detail later. When this Board hired me as the 28<sup>th</sup> University president, you hired me to make changes, to be more focused, to be more strategic. What we did not know then is that time would not be on our side. We thought we would be able to develop a strategic plan during the course of the next year. We are now accelerating that timeframe. I think the purpose of this meeting is to seek your support and counsel to make sure we are together every step of the way in making these hard decisions.

Relative to the budget, I do want to tell you that last Friday I put out a system-wide letter to all of our campuses, all of our constituents including alumni, talking about some of the steps that we were considering and, in fact, that we had to consider. We have a great willingness to change and to change for the better.

Forty-five minutes ago I met with the University's Executive Council to discuss the various mission-critical activities that we would try to protect as well as those we could not in the coming days and weeks.

I spoke with Bobby Harrell and Hugh Leatherman earlier this morning to pledge to them that we were taking this very seriously, that we were doing everything possible to protect tuition and that we are not planning to contemplate a mid-year tuition increase. They indicated that they would remember that gesture as we move forward.

Let me tell you about Focus Carolina. Ted Moore will talk with you in a few moments in more detail about where we are today relative to that focus. Rick Kelly will talk to you about the financial implications and then toward the end, I would like to tell you with some degree of specificity, what kinds of changes I would see happening by year's end.

Focus Carolina is a priority setting activity. We are going to determine which University programs are mission-critical and are vital and, in fact, those who need additional support. We are not only looking at those that can afford to be cut, but also programs that need increased support to create a stronger university.

We are looking at resources that we have as well as forming the next Capital Campaign through Focus Carolina. When we go to our old and new friends and tell them what we are asking of them, we are going to be able to tell them exactly why we need their help, not only for Carolina, but for specific priorities that will advance the University.

And, finally, we are going to talk about how we work more efficiently and more effectively (for example, the use of technology, the ways to conserve travel, the ways that we work as a system to economize.

I have already worked with my Executive Council to identify a new vision statement, a new mission statement, and specific goals. Dr. Moore will share information about that with you.

More than anything, I want you to know that the current budget crisis is serving only to accelerate exactly what we were going to do anyway. In every message that I have communicated, it has been that we are not going to use this budget crisis to make rash decisions or to be across-the-board. We must identify the most important activities.

I am going to refrain from being specific about the directives relative to the budget cut, because we simply don't know the exact extent. From everything we are hearing it appears to be a double digit budget cut.

We will be looking to measure everything that we do. The Board will have access to the way that we plan to measure everything. We will be reaching out to great leaders and great universities around the nation as we move forward. We are also going to be developing a new set of aspirant universities.

Chairman Whittle commented that this inaugural meeting of the Ad Hoc Committee on Strategic Planning was intended to set the tone and expectations for the future. Twelve years ago a University strategic plan had been established and concomitant goals had been executed under the leadership of President Sorensen. It was hoped that President Pastides, together with the Board of Trustees, would build a new strategic initiative for the University. He asked Dr. Moore to review the development of the University vision, mission, goals and other expectations.

II. Discussion of the Planning Process: Dr. Moore remarked that the first three elements of the University's architecture in a strategic plan were the vision, mission and goals statement. The current mission statement was approved by the Board and the Commission on Higher Education in 2004. The system-wide mission statement had been carefully reviewed recently with an intent to shorten and sharpen it.

The system-wide vision statement had been developed and articulated during the past several months largely by the Executive Council. Dr. Moore advised that the Council had

submitted proposed vision and mission statements to the President for consideration. He will return to the Executive Council in the very near future with his version, which will then be distributed to the entire system for consideration.

Five strategic goal areas or "umbrella areas" had been identified which were "within which a number of initiatives will be developed. Dr. Moore noted that the Strategic Development and Initiatives report had generated a list of 24 basic initiatives. The current strategic plan under development will entail a more extensive architecture with the vision, mission, goals and initiatives as well as associated action plans and indicators.

Goal statements had been identified as five different key areas: Teaching & Learning; Research, Scholarship & Creative Achievement; Service Excellence; Quality of Campus Life; and Recognition & Visibility. In the first key area, for example, an ambitious goal statement spanning the entire system that will become an umbrella or general target for all the campuses to develop initiatives had been written.

In addition, the Research, Scholarship & Creative Achievement goal statement had been written to span the entire system while particularly recognizing the differing qualities of the individual campuses.

The Service Excellence goal was the third element of the standard mission statement.

In addition, the Quality of Campus Life goal area was extensive and included not only on campus (health and safety, the appearance of the campus) but also sustainability (whether the University's physical environment was conducive to work and to recreation, etc.). Also included were concepts such as the "Town and Gown" relationship.

And, finally, the Recognition & Visibility goal will address the University's ranking in various news media and polls. Intended was the development of a systematic approach to national recognition and visibility.

Dr. Moore advised that *Carolina's Ideas*, a virtual suggestion box, was now available to all faculty, staff and students. It will be a key vehicle for the collection of reactions to, comments on and suggestions about the vision, mission and goals statements. It was hoped that through this vehicle members of the University community will embrace the entire strategic development process. Following the collection of feedback, the University will present to the Committee for discussion and approval a proposed strategic plan.

The next major phase of the process will be launched. These vision/mission/goals will be distributed to various committees on the four-year campuses to incorporate into their respective strategic plans; those committees will recommend initiatives to the central administration. The two-year campuses will also follow the same procedure.

Dr. Moore explained that on November 2 and 3 a retreat had been scheduled with the Columbia campus deans. They will craft proposed initiatives based on the

vision/mission/goals statements which will then be outlined in letters that the President will send to each of five goal teams composed of faculty, staff, students, alumni, etc. These letters will contain very specific guidelines regarding the type of initiatives needed in this plan.

It was anticipated that by the end of the spring semester they will submit to the central administration a set of initiatives (goals that will achieve the five strategic goal areas). At that time, President Pastides will ask the Executive Council to "flesh out" the remainder of the plan.

Each initiative, therefore, will have action plans or steps that specify a roadmap for accomplishing each of the goals.

In addition, Dr. Moore further explained, the Executive Council and the President will develop matrices (indicators to determine the amount of progress in each of these initiatives; the goals; the mission and vision statement).

Dr. Moore stressed that the Board of Trustees will be involved in every step. Following the completion of the vision/mission/goals statements by the administration, they will be distributed for general comment as well as shared with this committee.

After feedback from the system, the vision/mission/goals statements will be refined and presented to the committee for approval. The detailed charge letters will also be shared with this committee before distributing to the various groups tasked with the responsibility of further developing the initiatives.

Secretary Stepp further commented that the committee will also have a liaison function with the whole Board at an appropriate degree of frequency so that there was a balance of ownership.

President Pastides noted that items would be presented in a highly specific way (i.e., program priorities, opportunities to consolidate or to eliminate, etc.) for committee feedback.

Dr. Moore emphasized that necessarily the various processes had been accelerated because of budget realities. He also believed that the strategic goals under development were deliberately ambitious. President Pastides would not accept easily attainable goals which will lead to a declaration of victory at the end of the year or "stretch goals" which were clearly unattainable.

Chairman Whittle paraphrased that the strategic plan "was about being more efficient and having better practices or best practices. It's about positively enhancing a mission and a vision that we all agree to and it's about periodically measuring those in some format that provides accountability for the Board, the administration and others.

Dr. Moore noted that goals will be either modified or accelerated based on the prevailing economic environment when the plan was reviewed yearly; therefore, the University's strategic plan will essentially be modified to reflect current realities.

The various initiatives will have associated action plans as well as indicators of success in order to gauge success.

Dr. Moore expressed confidence that this plan would allow the Board opportunities to positively augment the various initiatives and action plans. In the future it was anticipated that additional meetings of this committee would be more quantitative and oriented toward providing feedback. The purpose of the meeting today was to establish ground rules and expectations.

III. Financial Situation: Chairman Whittle called on Mr. Rick Kelly who recapped the historical background of the most recent legislative budget cuts. In June, the General Assembly had reduced the University's base appropriations 2.67 percent and again in August an additional 3 percent. Mr. Kelly also stressed that federal dollars may also be in jeopardy.

Mr. Kelly explained that two rating agencies, Moody's and Fitch, had each visited the Columbia campus for a full day recently. In the morning a presentation about Carolina was given followed by a tour of the campus in the afternoon and an exit conference with President Pastides. He was happy to announce that the responses were very favorable, which he attributed in part to the fact that USC had in place a financial plan.

Both agencies had explained that currently the municipal market was struggling. As a result the University was seeking an appropriate "bridge" over which to advance. In particular, President Pastides had asked the financial team to review Innovista from the perspective of stages in order to reach the long-term goal.

Mr. Kelly stressed that the state budget cuts were a major challenge facing the University. Although the current reductions equaled slightly more than 21 percent of the University budget, that total represented approximately \$225 million - \$230 million per year. In addition, Carolina was facing another double digit cut within the next few weeks. "Our University will really to have to step down and really look hard at how to move forward and not jeopardize the programs that are paramount to our University."

A financial team had been appointed by the President to address those issues; members included the Provost Mark Becker, Vice Provost for Academic Affairs Ed Walton, Associate Vice President and Budget Director Leslie Brunelli, Vice President for Strategic Planning Ted Moore, Vice President for Human Resources Jane Jameson, General Counsel Terry Parham and Mr. Kelly. They were carefully reviewing available options. It was anticipated that this situation would also continue through the following spring. In addition, President Pastides had asked the financial team to offer support to the other campuses financial officers as they determine how to handle these challenges.

Mr. Kelly further explained that the Senate Finance Committee and the Ways and Means Committee will meet this Friday; the full General Assembly will reconvene the following Monday. Double-digit cuts will result in the loss of large numbers of dollars.

As the President declared earlier, the University was focused on a strategic plan, not simply cutting across-the-board.

Responding to Chairman Whittle's inquiry about a timeframe for receiving the Moody's rating, Mr. Kelly reported that because the market was not conducive to bond selling, the University will not receive a rating call. He noted that Moody's had indicated that Carolina's ratings may improve; Fitch was impressed and very inquisitive.

Mr. Kelly reviewed the legislative budget reductions: 2.67 percent reduction in June which, for the Columbia campus and the School of Medicine, totaled \$4.9 million; in September the Budget and Control Board had cut an additional 3 percent for another \$5.4 million totaling slightly more than \$10 million; anticipated in the near future was a double-digit reduction for a projected total of approximately \$15 million - \$16 million; and, in the spring another decrease was expected. Overall state reductions for the current fiscal year were anticipated to total \$32.5 million; it was noted that these state cuts were most likely permanent and that the yearly USC Columbia budget was \$795 million. Mr. Kelly advised that the first two reductions were across-the-board for all state agencies; additional reductions, he believed, will target specific areas. As he summarized, "everyone at Carolina is committed through this and coming out stronger on the other end."

IV. Expected Outcomes: President Pastides listed the various strategies that the administration may consider in order to trim the University budget. Included were the following: realigning programs; merging programs or units; consolidating function; managing class quality, size and demographic mix and diversity; reviewing the athletics program; reviewing grant funding to continue the forward momentum; monitoring the University's national rankings and reputation; reviewing capital planning and the University's approach to prioritize construction and renovations; reviewing deferred maintenance. "The budget cuts will never be used as an excuse to say we slid back. We are talking about highly specific decisions which will be communicated clearly." It was anticipated that the specific recommendations will be reviewed during the next meeting in approximately six weeks.

Chairman Whittle further noted that Dr. Geri Malandra, Vice Chancellor for Strategic Management for the fifteen-campus University of Texas System, had been consulted and was sending materials. In addition, Dr. Moore remarked that the University will continue to review the following system plans and concomitant metrics: UNC, University of California and Pennsylvania State. Chairman Whittle also suggested a review of the Washington Advisory Group (WAG) report which was completed in 2002.

Chairman Whittle stated that there was a personnel matter which was appropriate for discussion in Executive Session. Dr. Floyd moved to enter Executive Session. Mr. Foster seconded the motion. The vote was taken and the motion carried.

The following persons were asked to remain: President Pastides, Secretary Stepp, Dr. Moore, Mr. Kelly and Ms. Tweedy.

Return to Open Session

Since there were no other matters to come before the Ad Hoc Committee on Strategic Planning, Chairman Whittle declared the meeting adjourned at 2:00 p.m.

Respectfully submitted,

Thomas L. Stepp  
Secretary