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University of South Carolina
BOARD OF TRUSTEES

Executive Committee

April 22, 2016

The Executive Committee of the University of South Carolina Board of Trustees met at 1:40 p.m. on Friday, April 22, 2016, in the Alumni Center Boardroom.

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; Mrs. Paula Harper Bethea; Mr. J. Egerton Burroughs; Mr. Mark W. Buyck Jr.; Mr. Thomas C. Cofield; Mr. A.C. "Bubba" Fennell III; Mr. William W. Jones Jr.; Mr. Hubert F. Mobley; Ms. Leah B. Moody; Dr. C. Dorn Smith; Mr. Thad H. Westbrook; and Mr. Mack I. Whittle, Jr.

Also present were faculty representative August E. "Augie" Grant and student representative Michael Parks.

Others present were: President Harris Pastides; Secretary Amy E. Stone; General Counsel Walter "Terry" H. Parham; Chief Operating Officer Edward L. Walton; Chief Financial Officer Leslie Brunelli; Provost Joan T.A. Gabel; Vice President for Student Affairs Dennis A. Pruitt; Vice President for Human Resources Chris Byrd; Vice President for Facilities and Transportation Derrick Huggins; Vice President for Information Technology William F. Hogue; University Foundations Executive Director Russell H. Meekins; Associate Vice President for Business Affairs Helen Zeigler; Executive Director of Audit & Advisory Services Pam Doran; Chief Communications Officer Wes Hickman; Athletics Director Ray Tanner; Palmetto College Chancellor Susan Elkins; USC Upstate Chancellor Thomas Moore; USC Upstate Vice Chancellor for Administrative and Business Affairs Sheryl Tuner-Watts; USC Aiken Chancellor Sandra Jordan; Executive Director for the Office of Economic Engagement William D. "Bill" Kirkland; University Controller Jennifer Muir; University Treasurer Pat Lardner; Director of Capital Budgets and Financing, Division of Administration and Finance, Charlie Fitzsimons; Director of Facilities Planning and Programming and University Architect Derek S. Gruner; My Carolina Alumni Association Executive Director Jack W. Claypoole; Senior Associate Dean, College of Arts & Sciences, Robert Thunell; the

Reverend Dr. Andy Weems of the Baptist Campus Ministry; Chief of Staff, President's Office, J. Cantey Heath Jr.; USC Trustee Emeritus Wayne Staton; Ann Loadholt, wife of Trustee Miles Loadholt; Alan M. Lipsitz of Nexsen Pruet, LLC; Michael J. Seezen and O. Wayne Corley of the McNair Law Firm; University Technology Services Production Manager Matt Warthen; and Board staff members Terri Saxon and Debra Allen.

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 introduced members of the media in attendance: David Caraviello with *The Post and Courier* in Charleston.

Chairman Warr next called for a motion to enter Executive Session to discuss proposed contractual matters related to USC Upstate lease agreements and the use of University intellectual property. Mr. von Lehe so moved and Mr. Loadholt seconded the motion. The vote was taken and the motion carried.

Chairman Warr invited the following persons to remain: President Pastides, Secretary Stone, Mr. Parham, Dr. Moore, Mr. Meekins, Mr. Tanner, Mr. Walton, Ms. Brunelli, Provost Gabel, Dr. Pruitt, Mr. Heath, Mr. Hickman, Ms. Doran, and Mr. Staton.

EXECUTIVE SESSION

RETURN TO OPEN SESSION

II. Contracts

Chairman Warr called on Mr. Parham to present several contracts.

A. USC Upstate Lease Agreement

Mr. Parham said USC Upstate sought approval of a lease agreement with CPF Properties, II, LLC, for 15,000 square feet on the third floor of the George Dean Johnson, Jr. College of Business and Economics at a base annual rent of \$6.50 per square foot. The term of the standard governmental real estate lease is 20 years, and USC Upstate will have the option to extend the term for an additional five-year period. USC Upstate will be responsible for the cost of utilities and maintenance.

Chairman Warr called for a motion to recommend approval by the full Board of the lease agreement as described by Mr. Parham. Mr. Lister so moved. Mr. von Lehe seconded the motion. The vote was taken and the motion carried.

USC Upstate Assignment of Parking Spaces Agreement

Mr. Parham said USC Upstate also sought approval of an agreement with CPF Properties II, LLC, under which CPF Properties will make available to USC Upstate for its use 250 parking spaces in the Spartanburg City Parking Garage that is located adjacent to the George Dean Johnson, Jr. College of Business and Economics. Under the proposed agreement, USC Upstate will pay CPF Properties a monthly base rent of \$32 per parking space. USC Upstate also will be responsible for the pro-rated maintenance and operating costs incurred by the City of Spartanburg associated with the 250 parking spaces. Either party can terminate the agreement upon six months written notice.

Chairman Warr called for a motion to recommend approval by the full Board of the parking spaces agreement as described by Mr. Parham. Mr. Lister so moved. Mr. von Lehe seconded the motion. The vote was taken and the motion carried.

B. Pathology Associates and USC School of Medicine Greenville

Mr. Parham said the USC School of Medicine Greenville sought approval of an agreement with Pathology Consultants, Inc. under which Pathology Consultants will review, update and teach the core pathology curriculum that is part of the required biomedical science curriculum for first and second year medical students. The one-year agreement would run from July 1, 2016, through June 30, 2017. For its services, Pathology Consultants will be paid \$918,725.43. Mr. Parham added that the Greenville Health System (GHS) employs departmental faculty in nine of the 10 clinical departments associated with the USC School of Medicine Greenville. Pathology is the one exception, so GHS contracts for the necessary clinical pathology services. Pathology Consultants has a long collaborative history with GHS, is located in Greenville, and employs subject matter experts who have specialized pathology expertise in a broad range of diagnostic services.

Chairman Warr called for a motion to recommend approval by the full Board of the contract with Pathology Associates. Dr. Floyd so moved. Mr. Loadholt seconded the motion. The vote was taken and the motion carried.

C. S.C. College of Pharmacy, Greenville Health System

Mr. Parham said the College of Pharmacy sought approval of a new three-year agreement with the Greenville Health System (GHS) under which GHS will continue to provide clinical pharmacy training opportunities for the University's PharmD students (third- and fourth-year students) in Greenville. The current agreement with GHS will expire December 31, 2016, and the new agreement would begin January 1, 2017. The terms of the new agreement are basically the same as those previously

approved by the Board. In exchange for GHS providing clinical pharmacy training opportunities, the College of Pharmacy will: provide faculty appointments (without tenure) to qualified GHS clinical pharmacists, subject to applicable approvals; appoint the GHS Director of Pharmacy Services as the SCCP Clinical Associate Dean for GHS; appoint a GHS Pharmacy Education Coordinator; and reimburse GHS for all expenses related to providing the clinical training. Costs and expenses are anticipated to be \$905,520.

Chairman Warr called for a motion to recommend approval by the full Board of the S.C. College of Pharmacy agreement with the Greenville Health System. Mr. Lister so moved. Dr. Floyd seconded the motion. The vote was taken and the motion carried.

D. Gift Agreements

1. Anita Lobel Collection

Mr. Parham said that University Libraries sought approval to accept a gift from Anita Lobel – a noted children’s author and illustrator – of 1,937 items, including original artwork, pen and ink drawings, wash overlays and color paintings, posters, trade magazines and books. The Anita Lobel Collection has been independently appraised at \$2,000,000. It is the first comprehensive children’s literature archive held by the library and complements the University’s strong holdings of print children’s and young adult literature.

Chairman Warr called for a motion to recommend approval by the full Board to accept the Anita Lobel Collection. Dr. Floyd so moved. Mr. Loadholt seconded the motion. The vote was taken and the motion carried.

2. Argus Software, Inc.

Mr. Parham said USC Aiken sought approval to accept a software license gift from Argus Software, Inc. for use by the USC Aiken School of Business in its real estate and finance courses. The software package provides hands-on experience in creating financial models, performing feasibility studies, optimizing portfolio investments and creating capital structures for real estate investments. The value of the gift is \$1,147,500.

Chairman Warr called for a motion to recommend approval by the full Board to accept the software license gift from Argus Software, Inc. Mr. Hubbard so moved. Mr. von Lehe seconded the motion. The vote was taken and the motion carried.

3. USC Lancaster Educational Foundation

Mr. Parham said that USC Lancaster sought approval to accept a gift from the Educational Foundation of USC Lancaster. The gift consists of the furniture and equipment that the

foundation purchased for Founders Hall, the 40,000-square-foot classroom building that the foundation constructed and owns on the USC Lancaster campus. The USC Lancaster Educational Foundation's policy is to retain ownership of the fixed assets but to consider the equipment and furnishings to be a gift to the University. By approving the gift, USC will be able to record these assets and count their value for fundraising purposes. The value of the furniture and equipment at the time of purchase in 2014 was \$602,561.19.

Chairman Warr called for a motion to accept the gift of furniture and equipment purchased by the Educational Foundation of USC Lancaster for Founders Hall. Mr. Loadholt so moved. Dr. Floyd seconded the motion. The vote was taken and the motion carried.

E. TouchNet Information Systems, Inc.

Mr. Parham said the University sought approval of a one-year license agreement with TouchNet Information Systems, Inc. He explained that TouchNet software serves as the payment gateway for all credit card transactions in the USC system. The University conducts more than \$280 million in business via TouchNet, including tuition and fees and cashiering across all University campuses. TouchNet software has been used for the past five years. With the current contract expiring April 30, 2016, the University proposes to enter into a one-year agreement with TouchNet so as to ensure no business interruption while it negotiates a longer term contract with TouchNet that will be brought back for Board approval. The cost of the one-year license agreement is \$274,800.

Chairman Warr called for a motion to recommend approval by the full Board of the one-year agreement with TouchNet Information Systems, Inc. Mr. von Lehe so moved. Mr. Hubbard seconded the motion. The vote was taken and the motion carried.

III. Bond Resolutions

Chairman Warr called on Ms. Brunelli who said that she had two significant refunding opportunities to present. She presented a PowerPoint slide summarizing the University's outstanding debt as of March 31, 2016, indicating that it was very similar to June 30, 2015, since the large majority of principal is paid down on May 1. Recently, she said, several items had been added to the Resource Center on the Board Portal, including a bond information update from Barclay's showing the medians for the University as compared to Moody's for the University's AA rating. She noted that the weighted average cost of capital for the University of South Carolina has dropped to 3.83%. Five years ago, such a low percentage would have been unheard of, she said, emphasizing the significance of the refunding resolutions she was to present.

Ms. Brunelli first presented a resolution to issue Higher Education Refunding Revenue Bonds for up to \$81 million for the purpose of obtaining financing savings for the Columbia, Aiken and Upstate campuses on the previously issued 2008A and 2009A Revenue Bonds. The expected net savings for these housing-related bonds was \$10.3 million. The second resolution, she said, was to issue Athletics Facilities Refunding Revenue Bonds for up to \$26 million for the purpose of obtaining financing savings for the Columbia campus on the previously issued 2008A Athletic Facility Revenue Bonds. The expected net savings was \$3.9 million.

In response to a question from Trustee Allen, who noted that the University had a state mandated debt limit of \$200 million, Ms. Brunelli said that her office would check, but that she did not believe any other SEC institution had state-mandated debt limits for athletics. She confirmed for Trustee Whittle that the maturities of the bonds were not being increased that this was purely interest rate savings.

She said that the intent is to service the bonds with existing auxiliary fee revenues. Refunding bonds will only be issued with agreement from the State Treasurer's Office, and in the event that market conditions provide a material financial advantage at the expected time of sale. The complete resolutions and supporting materials as prepared by the Nexsen Pruet, LLC law firm for the Higher Education Refunding Revenue Bonds and by the McNair Law Firm, P.A. for the Athletics Facilities Refunding Revenue Bonds were made available on the Board Portal for Trustees to review.

Ms. Brunelli also updated Trustees on efforts with the State Treasurer's Office to select a financial advisor. The University has selected PFM – Public Financial Management – an independent financial investment advisor, not an underwriter like Barclay's, so the University will retain the Barclay's relationship. She noted that in higher education, PFM is used by Auburn and Arkansas, Maryland and the University of Virginia, the Illinois System, Arizona and Penn State. The solicitation for proposals resulted in eight to nine responses from which PFM was selected.

A. USC Higher Education Revenue Refunding Bonds

Chairman Warr called for a motion to recommend approval by the full Board of the USC Higher Education Revenue Refunding Bonds resolution. Mr. von Lehe so moved. Mr. Hubbard seconded the motion. The vote was taken and the motion carried.

B. USC Athletics Facilities Revenue Refunding Bonds

Chairman Warr called for a motion to recommend approval by the full Board of the USC Athletics Facilities Revenue Refunding Bonds resolution. Mr. Lister so moved. Mr. Hubbard seconded the motion. The vote was taken and the motion carried.

IV. FY17 Budget Development Update

Chairman Warr called on Ms. Brunelli for a brief update on the FY2017 budget development. She first announced that the University had been notified that for the fifth year its Comprehensive Annual Financial Report had received the Certificate of Achievement for Excellence in

Financial Reporting from the Government Finance Officers Association.

Ms. Brunelli reported that Senate Finance had released its budget numbers late the previous evening and that her office would get detailed information out to Trustees by the beginning of the coming week.

Across the Columbia system, she reported that academic units had completed their meetings with the Provost that included a review of each college's five-year financial plan while all service and auxiliary units have met with President Pastides. The Budget Office has held three meetings across the fiscal year with the system campuses, Ms. Brunelli said, and the Chancellors met with President Pastides this past week to review their budget plans.

She reminded Trustees that the Governor's executive budget did not recommend any changes over FY2016 for higher education. The House of Representative's proposed FY2017 budget includes new dollars for the University; a 2% pay package that would require a match by the University; two capital items, including \$5 million to start the Honors College facility and \$3.5 million for the Sumter campus; and additional funding for the School of Medicine Rural Health Initiative.

The significant difference with the proposed FY17 Senate Finance budget is a 4% pay package, along with a reduction of about \$40,000 in recurring funding for USC Lancaster and an increase of \$200,000 in non-recurring funding to USC Upstate for Manufacturing Management Technology training. Ms. Brunelli said that Senate Finance capital funding was significantly more than proposed by the House of Representatives, with each campus receiving funding including some maintenance funding that would require a one-to-one match. Other Senate Finance items include non-recurring funding for the tuition differential for veterans and their dependents and restoration of the system campus lottery technology funding.

Ms. Brunelli noted that the impact of a 2% pay package, as proposed in the House budget, would require the University to cover \$9.3 million of the proposed 2% House pay package and the increases in the employer contribution for retirement and health insurance.

Chairman Warr stated that Ms. Brunelli's report was received as information.

V. Adjournment

There being no other matters to come before the committee, Chairman Warr declared the meeting adjourned at 2:55 p.m.

Respectfully submitted,

Amy E. Stone
Secretary