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University of South Carolina

BOARD OF TRUSTEES

Executive Committee

April 12, 2012

The Executive Committee of the University of South Carolina Board of Trustees met on Thursday, April 12, 2012 at 1:00 p.m. in the JM Smith Board Room, Health Education Complex, USC Upstate.

Members present were: Mr. Miles Loadholt, Chairman; Mr. Herbert C. Adams; Dr. C. Edward Floyd; Mr. Toney J. Lister; Mr. John C. von Lehe, Jr.; and Mr. Eugene P. Warr, Jr. Vice Chairman.

Other Trustees present were: Mr. J. Egerton Burroughs; Mr. W. Lee Bussell, Sr.; Mr. Mark W. Buyck, Jr.; Mr. Thomas C. Cofield; Mr. William C. Hubbard; Mr. William W. Jones, Jr.; Mr. Hubert F. Mobley; Ms. Leah B. Moody; Dr. C. Dorn Smith III; Mr. Thad H. Westbrook; Mr. Charles H. Williams; Mr. Mack I. Whittle, Jr.; and Dr. Mitchell M. Zais.

Others present were: President Harris Pastides; Secretary Amy E. Stone; Vice President for Academic Affairs and Provost Michael D. Amiridis; Chief Financial Officer Edward L. Walton; Vice President for Student Affairs and Vice Provost for Academic Support Dennis A. Pruitt; Vice President of Development and Alumni Relations Michelle D. Dodenhoff; Vice President for Human Resources Chris Byrd; Senior Vice Provost and Director of Strategic Planning Christine W. Curtis; Vice President for Communications Luanne Lawrence; General Counsel Walter H. "Terry" Parham; Associate Vice President for Finance and Budget Director, Division of Finance and Planning, Leslie Brunelli; Associate Vice President for Business Affairs, Division of Business and Finance, Helen T. Zeigler; Chief Information Officer and Vice President for Information Technology William F. Hogue; Chancellor of USC Upstate Thomas F. Moore; Dean of the College of Arts and Sciences Mary Anne Fitzpatrick; Dean of the College of Mass Communications and Information Studies Charles Bierbauer; Dean of the School of Music Tayloe Harding; Executive Vice Chancellor of Academic Affairs, USC Beaufort, Harvey Varnet; Chair of the Faculty Senate Sandra J. Kelly; President Elect of the Alumni Association Robert "Eddie" Brown; Senior Advisor for the School of Law Henry McMaster; Associate Vice President for Facilities Tom Quasney; Executive Associate Athletics Director Kevin O'Connell; Associate Athletics Director Marcy Girton; Director of Facilities Planning and Programming and University Architect Derek S. Gruner; Special

Assistant to the President J. Cantey Heath, Jr.; Associate Vice President for Business Affairs, Finance and Planning Division, Helen T. Zeigler; USC Upstate, Assistant Director of Student Life, USC Upstate, Stacey Mills; Director of News and Internal Communication Wes Hickman; Board staff members Vera Stone and Karen Tweedy.

Chairman Loadholt called the meeting to order and stated that he would defer introductions until the full Board meeting. Mr. Hickman stated that there were no members of the press in attendance.

Chairman Loadholt 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 Loadholt stated that there were personnel matters and a proposed contractual matter which were appropriate for discussion in Executive Session. Mr. Adams moved to enter Executive Session. Mr. Warr seconded the motion. The vote was taken, and the motion carried.

Chairman Loadholt invited the following persons to remain: President Pastides, Secretary Stone, Mr. Walton, Mr. Parham, and Mr. Byrd.

Return to Open Session

I. Contracts Valued in Excess of \$250,000:

A. South Carolina Electric and Gas Company Contract: Chairman Loadholt

called on Mr. Parham who reported on behalf of the Facilities Department who sought board approval to enter into a new contract for electric services with SCE&G. The contract deals with the provision of electrical service to the Heyward Street Substation. This is the substation that provides electricity to the Dodie Academic Enrichment Center, the Field House, Stone Soccer Stadium, Coaches Support Building, Tennis Courts, and associated parking in the Athletics Village. Under the contract, SCE&G will charge the University a lower rate than is currently being charged.

Specifically, the current rate is approximately 13.88 cents (state rate 009) per kilowatt hours (kwh). The new rate (state rate 066) will be 8.5 cents per kwh. The rates are set based on anticipated load or usage. The lower rate will not have any negative impact on power quality, reliability, or delivery of electricity to the University.

The Facilities Department estimates that this will result in a savings of approximately \$65,000 per year.

The term of the contract is five years ending March 1, 2017. Thereafter, the contract continues on a month-to-month basis.

Mr. von Lehe moved approval of the contract as submitted in the meeting materials. Mr. Lister seconded the motion. The vote was taken, and the motion carried.

B. Indefinite Delivery Contracts: Mr. Loadholt recognized Mr. Parham who

presented the following 15 indefinite delivery contracts which are divided into three categories:

1. Structural Services

- a. Kyzer and Timmerman Structural Engineers
- b. Britt Peters and Associates
- c. Chao and Associates, Inc.

2. Electrical Services

- a. Sims Group Engineers, Inc.
- b. Burdette Engineering, Inc.
- c. RMF Engineering, Inc.
- d. Belka Engineering Associates, Inc.

3. Architectural Services

- a. The Boudreaux Group
- b. GMK Associates, Inc.
- c. JHS Architecture Integrated Design
- d. Compass 5 Partners, LLC

- e. Garvin Design Group
- f. Michael Keeshen and Associates
- g. Jumper Carter Sease
- h. Quackenbush Architects and Planners

Further, he explained that these companies assisted the University with small construction projects on an "as needed" basis. The companies were selected through a competitive solicitation process as approved by the State Engineer's Office. The University advertises its needs for professional services and a selection team reviews the bids. The contracts are identical in form and content. Costs are limited to no more than \$200,000 per year for any one job or no more than \$500,000 during any two year period for each business.

Chairman Loadholt called for a motion for approval of the 15 indefinite delivery contracts as described in the meeting materials. Mr. Warr so moved. Dr. Floyd seconded the motion. The vote was taken, and the motion carried.

II. Comprehensive Annual Financial Report (CAFR) Update: Mr. Loadholt called on Mr. Ed Walton, Chief Financial Officer (CFO), who gave a brief overview of the University's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2011. [Exhibit A]

He stated that members had received a copy of the report which consists of a compilation of introductory materials, financial statements, and statistical information. The introductory section includes communication from the President, University's Strategic Plan, information on Focus Carolina, and a letter of transmittal from the CFO detailing financial information and highlights from the prior year.

The financial statements are the system documents audited by Elliott Davis; and the statistical section provides ten years system data on financial trends, debt capacity, demographic and economic information and operating details which includes enrollment numbers, tuition and fees, and faculty and staff counts. The statistical section is one part of the finance dashboard now under construction.

The Government Finance Officers Association (GFOA) established the certificate of Achievement for Excellence in financial Reporting Program to encourage and assist state and local governments to go beyond the minimum requirements of generally accepted accounting principles to prepare comprehensive annual financial reports that evidence the spirit of transparency and full disclosure and then to recognize individual governments that succeed in achieving that goal.

The University's CAFR was submitted for review in December 2011. Reviews are conducted by volunteers who are members of the Special Review Committee and GFOA professional staff. After review, results are combined and a final vote is determined, an award decision letter is mailed to the

submitting entity. The mailing includes grading for various sections of the CAFR and a list of comments and suggestions that detail how the entity can improve its financial reporting.

The certificate program normally sends out results within six months after receiving a submission, giving the entity time to implement comments and suggestions for its next report.

Mr. Loadholt stated that the report was received for information.

III. Debt Update: Mr. Loadholt called on Ms. Brunelli who gave an overview of the bond indebtedness. As of March 31, 2012, the total outstanding bond indebtedness was \$455,505,000; and the total estimated additional financing needs are \$243,600,000. [Exhibit B]

Ms. Brunelli distributed copies of the Fitch Ratings [Exhibit C] and Moody's ratings [Exhibit D]. She stated that USC conducted calls with Moody's Investors Service and Fitch Ratings on March 22, 2012.

Moody's reaffirms USC's Aa2 rating for the Revenue Bond Refunding, and Fitch reaffirms USC's AA rating. Therefore, the two reports reaffirm that the University's outlook is stable.

In closing, Ms. Brunelli read aloud the following summary from Barclays Capital report:

"Debt capacity is not merely a function of financial data and ratios. Instead, many qualitative factors play key roles in the analysis, including overall institutional strategy, project type and essentiality, governance and management strength, State relations and support, and market position.

The recent steady increase in unrestricted net assets has provided a boost to the University's capital ratios bringing them more in line with those of peer institutions. Maintenance of balanced operating performance and strong student demand are key credit drivers going forward.

The University maintains sufficient additional debt capacity at its core Higher Education Revenue bond credit to absorb the capital projects that have been approved by or are pending Board approval.

The Athletics Facilities credit currently has little additional debt capacity beyond the planned Farmer's Market and Softball Stadium projects at the "Aa" rating level.

The University's debt capacity can be impacted by a variety of factors beyond the institution's control, including general economic conditions and State support, for instance. Management's ability to continue to adapt to a rapidly changing higher education environment remains critical. This includes flexibility with respect to tuition setting, the determination of the resident vs. non-resident student mix, and the management of unrestricted net assets."

She stated that Barclays had provided a comprehensive update which was intended for the February Board meeting. However, this information will be updated and presented at the June meeting

Mr. Loadholt stated that the report was received for information.

IV. University Budget Update: Ms. Brunelli gave a brief review of the FY 2012 Budget. She stated that a comprehensive document was presented to the Board in February. That document was a compilation of the budget review as of 12/31/2011 which covered restricted and unrestricted funds.

Tuition and Fee Revenue Budget "A" Funds totaled \$ 418,338,751 and the actual "A" Fund Tuition and Fees funds as of March 2012 are \$404,744,845.

She stated that USC Sumter had a 15 percent enrollment drop which was unanticipated; and USC Salkehatchie had not collected as much tuition and revenue as in prior years. Salkehatchie has some recurring carry forward funds. However, Sumter has a \$1.1 million deficit and efforts are underway to resolve this matter.

The University received non-recurring CRF (Capital Reserve Funds) for deferred maintenance in the amount of \$11,070,052.

Ms. Brunelli stated that there were some preliminary needs for 2012-2013 which included increases in the retirement, health insurance, and pay package (two percent State; faculty senate resolution for additional one percent); Insurance –Tort, Property & Casualty; Gasoline, Library Materials, Undergraduate 4% Fee Waiver, Faculty Replenishment Plan -Phase 3; Capital Renewal Plan; Law Enforcement and Safety (additional staffing); Student Affairs & Academic Support (Admissions, Recruitment & Retention, Career Center).

Ms. Brunelli gave a synopsis of the 2012-2013 Budget Calendar detailing the budget process. She said the Executive Committee will consider the University's budget on June 15th and the full Board on June 29th. (Exhibit E)

Mr. Loadholt stated that the report was received for information.

V. OneCarolina Update: Mr. Loadholt called on Dr. Hogue, Chief Information Officer and Vice President for Information Technology, who updated the Board on the OneCarolina project. He stated that the admission systems test will begin next week and OIM (Oracle Identity Management) integration will begin today. On a regular basis, he will brief the committee on information technology matters with particular emphasis on OneCarolina; he will make another presentation to the Board in June. The plan is to “go live “on July 11th with Columbia Undergraduate Admissions and “go live” with campus admission on August 15th.

He stated that the OneCarolina project is a team effort and consists of many talented individuals from all the major areas of the University system. He acknowledged the teams who helped to shape this University project. First, the Executive Steering Committee: Michael Amiridis, Executive Vice President for Academic Affairs and Provost; Chris Byrd, Vice President for Human Resources; Tom Hallman, Chancellor, USC Aiken; Bill Hogue, Vice President for Information and Chief Information Officer; Prakash Nagarkatti, Vice President for Research; Chris Plyer, Vice Provost and Executive Dean for Extended University; Dennis Pruitt, Vice President for Student Affairs and Vice Provost for Academic Support; and Ed Walton, Chief Financial Officer.

Second, the Key University Leadership team consists of individuals who test the system to make sure it is fully functional and designed properly. This team is as follows: Scott Verzyl, Associate Vice President for Enrollment Management and Director of Undergraduate Admissions; Leslie Brunelli, Associate Vice President for Business and Finance and Budget Director; Jeff Farnham, Associate Vice President for Information Technology and Deputy Chief Information Officer; Pat Lardner, Controller.

Third, the Project Leadership Team is as follows: Bob Swab, OneCarolina Project Director; Rita Anderson, OneCarolina Project Manager; Barbara Blaney, Student Lead; Bob Godfrey, Financial Aid Lead; Janis Hoffman, Finance Lead (Bursar); Stan Lawrimore, Technical Lead; Jennifer Lauer, Human Resources Payroll Lead; Mary Wagner, Admission Lead; and Rob Cardelli, Peak Performance Technologies (IV&V Partner).

Finally, he said, Dr. Tom Hallman, Chancellor of USC Aiken, had been one of the most active and engaged executives on the team but would be cycling off due to his retirement. Therefore, USC Upstate Chancellor Tom Moore will join the Steering Committee.

Mr. Loadholt stated that the report was received for information.

VI. USC Aiken Chancellor Search Report: Mr. Loadholt called on Mr. Cofield who reported that he, Chris Byrd, and Cantey Heath, had been working on the USC Aiken Chancellor's Search Committee. The Board had received electronic versions of bios on several applicants. He said there were four impressive finalists (two males and two females). However, one of the females withdrew her name because of personal reasons. On April 8th, the search committee had a face-to-face meeting with one of the finalists; and the other two finalists are scheduled to visit the campus next week. The committee will send their recommendation to President Pastides who will conduct the final interviews.

Mr. Loadholt stated that the report was received for information.

VII. Other Matters – Proposed Contractual Matters:

A. King Street (Charleston) Lease: Mr. Parham reported on behalf of President Pastides who sought Board approval to enter into assignment and modification of a commercial lease for property located at 258 King Street in Charleston, South Carolina.

The commercial lease in question was entered into in March 2010. The Tenant, with the consent of the Landlord, has agreed to assign the property to the University. Under the terms of the assignment, USC will assume the remaining term of lease beginning April 3, 2012 and expiring May 31, 2015.

The property consists of approximately 1,524 square feet on the first floor of a building. The University will use the property as a retail outlet for the sale of high-end University-related merchandise,

and as a Welcome Center to promote the University.

The rental cost of the property is as follows: The pro-rated rent for April 2012 is \$5,978; the rent for May 2012 is \$6,185; and June, 2012 through May, 2015 will be \$6,370. Therefore, the total rent during the 38 month lease term will be \$241,483. The University will pay this amount, in lump sum and in advance, on an agreed upon date.

Under the lease, the University is responsible for the cost of taxes and other governmental assessments on the property, and the cost of fire and other casualty insurance on the property. The University will also be responsible for the cost of utilities.

The Landlord will be responsible for maintaining in good repair, at its expense, the roof, exterior wall, structural elements and foundation, and entry ways of the premises. Also, the University will be responsible for keeping the premises clean and sanitary, and for making all other necessary repairs to maintain the property in good condition.

Under the lease, the University has the right to make alterations and improvements to the premises, subject to the Landlord's prior approval which shall not be unreasonably withheld or delayed.

The lease requires the University to purchase and maintain public liability insurance on the premises in the minimum limit of \$1 million combined single-limit, and to name the Landlord as an additional insured. The Landlord is required to maintain \$1 million in liability insurance as well with the University named as an additional insured.

Mr. Loadholt called for a motion to approve the agreement as submitted in the materials for the meeting. Mr. Adams so moved. Mr. von Lehe seconded the motion. The vote was taken, and the motion carried.

B. Provost Michael Amiridis Annual Retention Incentive: Chairman Loadholt called on President Pastides who stated that the Chairman would read a motion on his behalf relative to the retention of "our exemplary Executive Vice President for Academic Affairs and Provost Michael Amiridis who has agreed to continue to serve with distinction our University for the foreseeable future."

Mr. Loadholt called for a motion that President Pastides be authorized to request that the USC Educational Foundation fund an annual retention incentive for Dr. Michael Amiridis in the sum of \$100,000 payable in equal installments of \$50,000 on July 1st and January 1st of each year beginning July 1, 2012, provided he is employed as the Vice President for Academic Affairs and Provost on such date.

Mr. Adams so moved. Mr. Warr seconded the motion. The vote was taken, and the motion carried.

Since there were no other matters to come before the Committee, Chairman Loadholt declared the meeting adjourned at 3:00 p.m.

Respectfully submitted,

Amy E. Stone
Secretary