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University of South Carolina
BOARD OF TRUSTEES

Executive Committee

February 21, 2014

The Executive Committee of the University of South Carolina Board of Trustees met at 1:30 p.m. on Friday, February 21, 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. Thomas C. Cofield; Mr. A. C. "Bubba" Fennell; Mr. William W. Jones, Jr.; Mr. Hubert F. Mobley; and Mr. Thad H. Westbrook; with Mr. J. Egerton Burroughs, Mr. Mark W. Buyck, Jr. and Ms. Leah B. Moody joining by telephone.

Also present were faculty representative Dr. James H. Knapp and student representative Chase Mizzell.

Others present were: President Harris Pastides; Secretary Amy E. Stone; General Counsel Walter "Terry" H. Parham; Provost Michael D. Amiridis; Chief Financial Officer Edward L. Walton; Athletics Director Ray Tanner; 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; Interim Vice President for Communications Wes Hickman; Palmetto College Chancellor Susan A. Elkins; USC Beaufort Chancellor Jane Upshaw; USC Upstate Chancellor Tom Moore; Associate Vice President for Business and Finance, Division of Business and Finance, Leslie Brunelli; College of Arts and Sciences Dean Mary Anne Fitzpatrick; Darla Moore School of Business Dean Peter Brews; USC Sumter Dean Michael Sonntag; Vice Chancellor for Information Technology, USC Aiken, Ernest Pringle; Associate Director of Strategic Planning and Assessment Cameron Howell; Executive Director for the Office of Economic Engagement William D. "Bill" Kirkland; University Treasurer Susan D. Hanna; Executive Director of Internal Audit Pam Doran; Chief Financial Officer, Athletics Department, Jeff Tallant; Associate Vice President for Transportation and Logistical Relations Derrick Huggins; University Budget Director Harry Bell; University Controller

Jennifer Muir; Director of Capital Budgets and Financing, Division of Business and Finance, Charlie Fitzsimons; Capital Finance Budget Analyst, Division of Business and Finance, Geneva Irvin; Director of State Relations Trey Walker; Director of Government and Community Relations and Legislative Liaison Shirley Mills; Special Assistant to the President J. Cantey Heath Jr.; the Reverend Frank Anderson, Lutheran Campus Ministry; Wayne Corley, bond attorney, McNair Law Firm; University Technology Services Production Manager Matt Warthen; Board staff members Debra Allen and Terri Saxon; and members of the media.

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: Hannah Jeffrey with *The Daily Gamecock* and Andy Shain with *The State*.

Chairman Warr stated that there was a need to discuss a personnel matter appropriate for Executive Session. Chairman Warr called for a motion to enter Executive Session. 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: Trustees, President Pastides, Secretary Stone, Mr. Parham and Mr. Byrd.

Return to Open Session

I. Contracts

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

A. HP Printing Equipment

Mr. Parham said that Board approval was sought for the purchase of a Hewlett-Packard (HP) Indigo 7600 Digital Printing Press for the University's Printing Services Department. This printer would replace an outdated Xerox unit that Printing Services had been leasing.

The printer will offer state-of-the-art capabilities that better meet USC's graphic production needs – including the ability to print true Gamecock garnet color – allowing Printing Services to print items that it has had to outsource in the past.

The Division of Communications will acquire this equipment through a lease-purchase arrangement at a cost of \$9,858.52 per month for 60 months for a total cost of \$591,511.20. At the end of the five-year period, the equipment will be owned by USC. Additionally, Mr. Parham said Communications will sign a maintenance contract with Hewlett-Packard for a five-year period at a total cost of \$120,600. This amount includes one year of free maintenance that Communications negotiated with HP. Communications estimates that consumable costs for inks, parts, etc. over the five-year period will be approximately \$750,000. However, Communications also negotiated a \$42,972 credit that Communications can spend to defray some of these consumable costs. Total estimated cost of the contract will be approximately \$1,462,111, a savings of approximately \$103,703 or \$511,952 over five years compared to what Printing Services paid annually to lease and maintain the Xerox printer. The total cost of the new printer will be paid from revenue generated from charge-backs to University departments for printing jobs that Printing Services performs. Printing Services will generate between 300,000 and 400,000 pages per month using the new printer.

Chairman Warr called for a motion to recommend that the full Board approve the lease-purchase arrangement and maintenance contract for the Hewlett-Packard Indigo 7600 Digital Printing Press as described in the agenda materials and presented by Mr. Parham. Mr. von Lehe so moved. Mr. Hubbard seconded the motion. The vote was taken and the motion carried.

B. Facility Lease, Speech and Hearing Research Center

Mr. Parham said that this contract was not ready to come forward.

C. Leving Gift

Mr. Parham said that University Libraries Dean Tom McNally was seeking approval of a gift of 84 prints of etchings by Giovanni Piranesi from Jeffery M. Leving.

Piranesi was an 18th century Italian artist famous for his etchings of Rome. Mr. Parham said the library already has bound volumes of prints of Piranesi's work; but that these 84 prints were unbound, which would make them more easily available for exhibits and classroom use. Mr. Parham said the 84 prints have been appraised by Graham Arader at \$361,000.

Chairman Warr called for a motion to accept the Leving Gift 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.

D. geoLOGIC Software Gift

Mr. Parham said that the Department of Earth and Ocean Sciences was seeking approval to accept a gift of a software license from a company named geoLOGIC Systems.

A company based in Alberta, Canada, geoLOGIC maintains an extensive database of oil and gas data, location of wells, and other subsurface data, as well as mapping and analysis tools. Mr. Parham said geoLOGIC has offered the Department of Earth and Ocean Sciences a license to its geoSCOUT software to access certain categories of data that will be used by the department for research and educational purposes. The license is for a one-year period ending December 15, 2014. The value of the gift is \$359,110, which is based on the software retail value if it was purchased in the marketplace.

Chairman Warr called for a motion to accept the software license gift from geoLOGIC 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.

E. College Board Agreement

Mr. Parham said that the Office of Undergraduate Admissions was seeking approval of an agreement with College Board Enrollment. Under the agreement, USC will receive access to data on up to 235,000 PSAT, SAT and AP test takers, including: name, address, gender, date of birth, high school, intended college majors, test scores, graduation year, etc.

College Board also will provide enrollment planning services that include market-specific information about projections of high school graduates by state and geomarket; test score data from these markets; USC's position in those markets and the position of USC's competition in those markets; and information about other schools to which students who apply to USC are also applying. The University

uses this data to craft its student recruitment strategies. Mr. Parham said this was a three-year contract, ending August 31, 2016, with a total cost of \$279,831.90. The contract is an extension of an existing contract that the University has had in place for eight years. Dr. Pruitt indicated that the University had been doing business with College Board Enrollment for about 25 years and has increased the number of students about which it obtains data, which has resulted in a pricing level that now required Board approval.

Chairman Warr called for a motion to approve the agreement with College Board Enrollment as described in the agenda materials and presented by Mr. Parham. Mr. Hubbard so moved. Dr. Floyd seconded the motion. The vote was taken and the motion carried.

II. Bond Resolution for Athletics Projects

Chairman Warr called on Ms. Brunelli to present the bond resolution for the Athletics Projects. Ms. Brunelli said the bond resolution was the second piece of the \$39.9 million athletic facilities package that Mr. Tanner had been talking about with the Board for the past year. The first part of the package was the indoor practice facility that had been previously approved by the Board. Given the discussion earlier in the day during the Buildings and Grounds Committee meeting about bonded indebtedness, Ms. Brunelli said she would shorten her presentation.

Ms. Brunelli said the projects were the Williams-Brice Football Stadium Plaza, the Field House, the Soccer Building, and the Track and Field Complex. The total needed to fund the projects was \$27.8 million, with an issuance cost of \$3.7 million that would bring the bond resolution to a maximum of \$31.5 million. She said the projects were considerably more than this amount and that additional funding would come from Athletics operating funds and gift dollars. Ms. Brunelli explained that the high issuance cost represented the typical 3 percent, plus a debt service reserve. A debt service reserve may be required; although one has not been required recently on athletics projects.

Chairman Warr called for a motion to recommend approval to the full Board of the Athletic Facilities Revenue Bond Resolution authorizing up to \$31.5 million for improvements to the Football Stadium Plaza and the Athletics Village, which will include a new Soccer Building, improvements to the Track and Field Complex, and modifications to the Field House as described in the agenda materials and presented by Ms. Brunelli. Mr. von Lehe so moved. Mr. Loadholt seconded the motion. The vote was taken and the motion carried.

III. Financial Update: Mid-Year Review

Chairman Warr called on Ms. Brunelli who said that this was the third year that the Board

was receiving a mid-year review. She indicated that in addition to her summary PowerPoint slides, Board members would find a comprehensive, 140-page document on the Board Portal that provided revenues and expenditures by campus as of December 31, 2013, including total current funds, total unrestricted funds and the total "A" or operating funds. The document compared the current financial position to the FY2014 budget and to the prior year actual at same point in time. The document also reviewed auxiliary enterprises on the Columbia campus, specifically Housing, Parking, the Student Health Center and Athletics. Ms. Brunelli also offered an overview of the political environment surrounding the University's funding that she characterized as having moved away from a state-funded model to a tuition-funded model.

Ms. Brunelli summarized the mid-year review, noting that system campuses and auxiliary enterprises were operating within budget expectations for the current year as they aligned their budgets to actuals. As expected, she said the challenge continued to be sustaining and increasing enrollments at the system campuses. Business and Finance will continue meeting with system campuses throughout the fiscal year to ensure that budget targets were met. She said that using reserves as planned bridge funding would continue as units and campuses cut costs or grew revenue – or both.

She said challenges continued to be system campus enrollment trends, implementation of the Affordable Care Act, managing regulatory requirements, grant opportunities for faculty, changes in accounting and financial reporting for pensions and other postemployment benefits known as GASB 68, the ability to balance operating and capital needs, and the implementation and operationalizing of OneCarolina.

Strategies to meet the challenges included allocating resources to priorities, protecting state appropriations and the South Carolina Education Lottery Scholarships, enhancing private fundraising and development, exploring additional outsourcing options, and containing expectations. She concluded her remarks by reviewing the budget development schedule for the coming months and identifying preliminary financial needs on the Columbia campus for FY2014-15. The following needs were identified: a new increase in health insurance costs as of January 1, 2015; the increase in retirement costs for employers as of July 1, 2014; increased insurance reserve costs for tort, property and casualty coverage; increased utilities costs; an expected increased cost for library materials; the undergraduate 4 percent fee waiver; the cost of continuing to address faculty salary compression; financing the third year of the Law Enforcement and Safety plan, and the ongoing need to fund the 10-year deferred maintenance projects (Capital Renewal Plan).

Chairman Warr stated that this report was received as information.

IV. Personnel Matter

Chairman Warr called on President Pastides who said that he has a wonderful administrative team and that everyone was working smarter, better and more efficiently than at any time during his presidency. For the past several months, he said he has been reviewing the current organizational structure of the University's administration, looking for ways to improve operational efficiencies and strengthen the accountability of University service units as well as save money in the form of reduced total administrative salaries. As a result, he was streamlining operations by merging seven positions into four. In addition, several vacancies would not be filled as four senior-level administrators assumed new roles and responsibilities in the areas of finance and planning, facilities and transportation and communications. The plan would save more than \$400,000 per year in administrative salaries compared to the previous administrative structure. To institute the reorganization and achieve these savings, President Pastides said he was asking Board approval of his appointment of three individuals as vice presidents:

- Ed Walton would be designated as Senior Vice President for Administration and Chief Operating Officer, with significantly increased supervisory responsibility.
- Leslie Brunelli would become the Vice President for Finance and Chief Financial Officer.
- Derrick Huggins would become the Vice President for Facilities and Transportation.

Additionally, President Pastides said he was eliminating the vice president for communications position and combining those responsibilities with those of the University spokesperson. He said Wes Hickman, who had provided exceptional service since Luanne Lawrence resigned, would become Chief Communications Officer and Director of Communications and Marketing.

Chairman Warr called for a motion to recommend approval by the full Board of the appointment of Ed Walton as Senior Vice President for Administration and Chief Operating Officer. Mr. von Lehe so moved and Mr. Loadholt seconded the motion. The vote was taken and the motion carried.

Chairman Warr called for a motion to recommend approval by the full Board of the appointment of Leslie Brunelli as Vice President for Finance and Chief Financial Officer. Mr. Lister so moved and Mr. Hubbard seconded the motion. The vote was taken and the motion carried.

Chairman Warr called for a motion to recommend approval by the full Board of the appointment of Derrick Huggins as Vice President for Facilities and Transportation. Dr. Floyd so moved and Mr. Hubbard seconded the motion. The vote was taken and the motion carried.

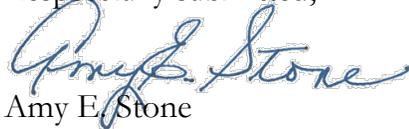
V. Other Matters

There were no other matters to come before the committee.

VI. Adjournment

Since there were no other matters to come before the Executive Committee, Chairman Warr declared the meeting adjourned at 3:00 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