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University of South Carolina  
BOARD OF TRUSTEES

Executive Committee

October 17, 2014

The Executive Committee of the University of South Carolina Board of Trustees met at 11:20 a.m. on Friday, October 17, 2014, in the Board Room at 1600 Hampton Street.

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

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; Mr. Thad H. Westbrook; Mr. Mack I. Whittle, Jr.; Mr. Charles H. Williams; and Dr. Mitchell M. Zais. Dr. C. Dorn Smith III joined by telephone.

Also present were faculty representative Dr. James H. Knapp and student representative Lindsay Richardson.

Others present were: President Harris Pastides; Secretary Amy E. Stone; Chief Operating Officer Edward L. Walton; General Counsel Walter "Terry" H. Parham; Vice President for Student Affairs Dennis A. Pruitt; Chief Financial Officer Leslie Brunelli; Vice President for Information Technology William F. Hogue; Vice President for Human Resources Chris Byrd; Vice President for Facilities and Transportation Derrick Huggins; Athletics Director Ray Tanner; Palmetto College Chancellor Susan Elkins; USC Beaufort Chancellor Jane Upshaw; USC Upstate Chancellor Thomas Moore; Executive Vice Chancellor for Academic Affairs, USC Aiken, Jeff Priest; Vice Chancellor for Finance and Administration, USC Aiken, Joe Sobieralski; Senior Vice Provost and Dean for Graduate Studies Lacy Ford; School of Law Dean Robert Wilcox; College of Nursing Dean Jeannette Andrews; Assistant Dean for Operations, College of Nursing, Rod West; Executive Associate Athletics Director Kevin O'Connell; Executive Director of Audit & Advisory Services Pam Doran; University Foundations Executive Director Russell H. Meekins; Executive Director for the Office of Economic Engagement William D. "Bill" Kirkland; Chief Communications Officer Wes Hickman; Executive Assistant to the President for Equal Opportunity Programs Bobby D. Gist; Chief of Staff, President's Office, J. Cantey Heath, Jr.; University Controller Jennifer Muir; Director of Facilities Planning and Programming and University Architect Derek S. Gruner;

Director of Facilities Design and Construction Jeffrey D. Lamberson; University Budget Director, Division of Administration and Finance, Harry Bell; Director of Capital Budgets and Financing, Division of Administration and Finance, Charlie Fitzsimons; Audit & Advisory Services Assistant Director Glenn Murray; Managing Audit Consultant, Audit & Advisory Services, Andra Lunsford; Director of General Ledger Accounting, Controller's Office, Mary Peak; Director of Financial Reporting, Controller's Office, Sandy Smith; Tom McNeish with the audit firm of Elliott Davis, LLC; University Technology Services Production Manager Wes Reardon; 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 there were no members of the news media in attendance.

Chairman Warr congratulated Dr. Knapp as one of eight outstanding senior faculty members who received the 2014 Breakthrough Leadership in Research Award for their tremendous impact on research efforts at the University.

Chairman Warr stated that the meeting would begin with open session agenda items, recess for lunch, and reconvene following lunch for an executive session. He said that no action was anticipated following the executive session, which would address proposed contractual matters and personnel matters. He estimated that the full Board meeting would begin between 2:30 and 3 p.m. for those who would like to leave and return later in the day.

II. Contracts

Chairman Warr called on Mr. Parham to present contracts that required approval.

A. Northeast Document Conservation Center

Mr. Parham said that the University Libraries sought Board approval of an agreement with the USC Educational Foundation and the Northeast Document Conservation Center for the conservation and restoration of the University's four-volume, double-elephant folio of John James Audubon's Birds of America. The term "double-elephant folio" describes the size of the prints and was the largest paper size available at the time, measuring approximately 25 inches by 38 inches.

The collection of 435 prints, originally published between 1828 and 1838, is housed in the Hollings Special Collection Library and is one of the University's greatest treasures. Only 200 sets of this work were printed and fewer than 130 complete sets now survive. In its present condition, it is valued at

approximately \$3 million. Following restoration, the value of the set is estimated to be approximately \$10 million. Mr. Parham noted that in December 2010 a copy of the collection sold at Sotheby's for \$11.5 million.

Mr. Parham said the cost of the restoration is estimated to be \$605,857. The full amount will be paid by the USC Educational Foundation from funds donated anonymously by an alumnus specifically for this purpose. Therefore, no University funds will be expended.

Mr. Whittle noted that Graham Arader does this type of restoration work and said that he hoped the University had consulted with him in light of his gift to the University. President Pastides said that Mr. Arader was aware of the project. Mr. Whittle further noted that the restoration needed to be done right and that the prints need to be available to enjoy 200 years from now.

In response to a question from Mr. Jones, Mr. Parham said that the Audubon prints currently are stored in the Hollings Library vault and available for viewing upon request. Mr. von Lehe noted John J. Audubon's connection to South Carolina, especially through the Rev. John Bachman, their children married each other, and the two were associated with the early history of the Charleston Museum.

President Pastides recognized the significance of the anonymous donor, a friend of the University, who agreed to fund the project because they realized the importance of this four-volume Audubon set. Mr. Whittle cited other significant original works that are held by the University Libraries, and stated that the University needed to ensure they also do not deteriorate.

Mr. Parham also noted that the University would not transport all of the prints at the same time. The prints will be transported in two lots, providing the University an opportunity to inspect the quality of the restoration. He confirmed for Mr. Fennell that experts will be used to inspect the quality of the restoration.

Chairman Warr called for a motion to approve the contract with Northeast Document Conservation Center 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. STM Charters, Inc., Men's Basketball

Mr. Parham said that the Athletics Department sought Board approval to enter into a charter flight agreement with STM Charters, Inc. to transport the men's basketball team to 10 away games this season. The total cost of the contract is \$414,096 and it represents the standard charter flight agreement that the Athletics Department has entered into for the past few years. Before selecting STM Charters, the Athletics Department did a review and obtained quotes from other charters. STM was

selected based on price, reliability, and the availability of the right sized aircraft on the dates needed.

Chairman Warr called for a motion to approve the contract with STM Charters, Inc., to provide air transportation for the men's basketball team 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.

C. STM Charters, Inc., Women's Basketball

Mr. Parham said that the Athletics Department also sought Board approval to enter into a charter flight agreement with STM Charters, Inc. to transport the women's basketball team to 10 away games this season. The total cost of the contract was \$408,000 and other than destinations, the contract was identical to that for transporting the men's team.

Chairman Warr called for a motion to approve the contract with STM Charters, Inc., to provide air transportation for the women's basketball team 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.

D. Royall & Company

Mr. Parham said that the Office of Undergraduate Admissions sought Board approval of a contract with Royall & Company under which Royall would provide student search and marketing programs designed to generate high school students' interest in the University.

Royall will work with the University to develop a master list of up to 214,500 high school students who have the profiles and characteristics such as GPA, test scores, year of graduation, and geographic location in which the University is interested. Once the list is confirmed, Royall will undertake a comprehensive marketing and communication campaign that will result in multiple e-mail blasts and a regular U.S. Postal mailing to these students from November through March 2015. The campaign is designed to introduce these prospective students to USC and encourage their interest to learn more about USC.

Mr. Parham said that Royall will undertake what it calls a Thirty Day Fulfillment Campaign in which it will continue to generate e-mail and other communications to those students who respond, resulting in the long run with those students applying to be students at the University. Royall also will send separate emails to parents of students and will provide analytics of the response rates and assist USC in analyzing whether or not the right students are being targeted.

Royall has been performing this service for the University for the past five years. The Board

approved the same contract on October 4, 2013, and the proposed one-year contract will cost \$379,949. Funding for this contract was approved by the Board as a permanent line item in the Admissions Office's budget.

In response to a question about the location of the company, Dr. Pruitt confirmed that it was located in Richmond, Virginia. Mr. Parham confirmed for Mr. Fennell that the contract is not effective until Board approval and that the company would not start its campaign until the Board had approved the contract. Dr. Pruitt also responded to Trustee questions that the University was one of the company's larger clients, but that there was not a non-compete clause, and that Clemson used the company as well. Dr. Pruitt said Admissions was very pleased with the outcomes provided by the company and that in-state and out-of-state students were targeted.

Chairman Warr called for a motion to approve the contract with Royall & Company 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.

E. Baker & Taylor

Mr. Parham said that the University Libraries sought Board approval to enter into an agreement with Baker & Taylor YBP (Yankee Book Peddler) Library Services, one of the world's largest distributors of print and electronic books to academic and research libraries. Based in Connecticut, YBP has access to more than 700,000 individual titles and publisher-specific subject collections, and 10 million digital titles.

Mr. Parham said that under the agreement, YBP will serve as the library's agent or middleman. If the library determines that it wants to purchase a title or material, YBP will contact the publisher and acquire the material at a discounted price. The amount of the discount varies depending on the type of material being purchased, but a 16.5 percent discount is common for new acquisitions. Using YBP also increases efficiency for the library because it is able to provide a consolidated invoice – which results in the library having to issue fewer checks – and it troubleshoots on behalf of the library to solve problems with publishers.

The contract applies to USC Columbia, USC Beaufort and the Palmetto College Campuses. University Libraries has estimated that approximately \$350,000 of books and materials will be purchased through YBP in Fiscal Year 2014-2015. However, the contract does not obligate the University to buy any materials.

Chairman Warr called for a motion to approve the contract with Royall & Company as described in

the agenda materials and presented by Mr. Parham. Dr. Floyd so moved. Mr. Lister seconded the motion. The vote was taken and the motion carried.

F. Beaufort-Jasper Higher Education Commission Agreement

Mr. Parham said that the final item was a best practice issue that needed Board attention. As background, he said that the State of South Carolina has seven local commissions of higher education, each of which was created by special legislation at different times in the past. Each of those commissions support, in some manner, one of the University's campuses located in their local area. The level of support provided to each campus varies from commission to commission. The support takes a variety of forms, from direct financial support to the provision of land or facilities. Therefore, a better documentation of the relationship of each of these commissions to each University campus is needed. The relationships have evolved through the years and in many cases there is no documentation that codifies what is taking place. At the request of the President, Mr. Parham said that the Legal Office initiated a project earlier in the year to identify the relationships and any associated legal issues, then to document the extent of these relationships.

The Beaufort-Jasper Higher Education Commission provides a significant amount of support to USC Beaufort. Mr. Parham said the support was so significant that the University's external audit firm of Elliott Davis has determined, under generally accepted accounting principles, that the Beaufort-Jasper Higher Education Commission should be considered a component unit of USC Beaufort, consistent with how the Columbia Campus has done with the USC Educational and Development Foundations. As a result, Mr. Parham provided an executive summary of the relationship between USC Beaufort and the Beaufort-Jasper Commission, which included the provision of \$1.5 million for operations, \$100,000 contingency fund, \$20,000 in scholarships, the Chancellor's supplement, and a variety of other things.

In addition to this direct financial support of significance that allows the campus to continue to operate, the commission owns about 137 acres of land at or adjacent to the USC Beaufort Gateway Campus, as well as a little more than an acre on the historic Beaufort Campus. In support of USC Beaufort, the commission has constructed and owns a variety of buildings on the land that the commission owns, which is part of what is consider the USC Beaufort campus. Although USC Beaufort uses and maintains these buildings, there is no documentation. One thing that has now been done is to put this in an agreement that shows the nature of the University's responsibility in regard to these buildings.

Mr. Parham said that the commission also runs three enterprise activities on the USC Beaufort campus, including student housing for which the commission sets rates that are approved by the

University. USC Beaufort serves as the fiscal agent for the housing operation. USC Beaufort collects the student housing fees as part of the normal student fee process and remits the money to the commission after deducting its expenses for maintaining and operating the buildings. Thus, Mr. Parham said this information needs to be documented in a memorandum of understanding (MOU) so the University understands the duties and responsibilities going on in regard to housing. Food services is an identical process, and there also is a book store operation in which USC Beaufort is not the fiscal agent, but the bookstore operates on what is considered the USC Beaufort campus.

Given the three enterprise operations that are being conducted on the USC Beaufort Campus by the commission, along with the land and buildings that the commission owns, a MOU has been prepared that outlines the duties and responsibilities of both parties and provides a documentation trail for the situation. Mr. Parham said that Board approval was sought to allow the University to enter into a MOU with the commission that confirms the essential contract terms as outlined in the material presented on the Board Portal and described in his presentation. For now the MOU will outline what is on the ground, allowing future discussions as to any necessary modifications.

Mr. Parham said it was anticipated that additional documents of this nature would be brought to the Board relating to the University's other campuses and their associated local higher education commissions.

Mr. Parham confirmed for Mr. von Lehe that the current document was an outline of ownership and it would be followed by a future agreement document that would be provided to the Board for review and approval. Chancellor Upshaw confirmed that the Beaufort-Jasper Higher Education Commission only worked with USC Beaufort at this time, although the law creating the commission was written allowing the commission to work with any institution in its service area.

Mr. Parham confirmed for Mr. Mobley that it would be appropriate to discuss the parameters of this proposed contractual arrangement in Executive Session. Mr. Jones stated that the MOU as presented was just a statement of fact that would result in another document; however, he noted that there was a third significant party that was key to the lifeblood of USC Beaufort and would need to be involved in such an agreement. Mr. Fennell asked about whether any of the other local commissions were component units and if agreements existed. Mr. Parham stated that no comprehensive agreements existed with any of the local commissions, although there were some individual agreements such as the one between USC Lancaster and its local commission as it related to a specific building. Mr. Parham deferred to the University's Chief Financial Officer and external audit firm as to whether any other local commission rose to the level of component unit. Ms. Brunelli indicated a decision was pending on that issue due to the

complex nature of determining component unit status.

Dr. Floyd asked what was meant by significant amount of money, and whether the commission returned to the campus the money it made on the dormitory and food service operations. Chancellor Upshaw said that county funding for the campus flows through the local commission. This past fiscal year, she said the local commission received \$2 million from Beaufort County and from that amount it provided \$1.5 million to USC Beaufort for operations. The balance of the \$2 million funding helped the local commission maintain the facilities on its land, which are the USC Beaufort facilities. The only other funding available to the commission is from the services it provides USC Beaufort. The money made from these services is used to further support USC Beaufort, which is how USC Beaufort was able to obtain a new \$3.5 million student recreation facility that the commission paid cash money to build.

On Mr. Lister's recommendation, the Executive Committee decided to continue discussion of the agreement between USC Beaufort and the Beaufort-Jasper Higher Education Commission in Executive Session.

### III. Fiscal Year 2013-2014 Year-End Review

Chairman Warr called on Ms. Brunelli who presented a year-end review of Fiscal Year 2013-2014, the budget to actual review. Prior to five years ago, she noted, the Board had not been provided an overview of how the budget panned out from the original budget. She first outlined the budget review process, illustrating the daily reviews that attach to the budget process. Ms. Brunelli noted that the budget document no longer tied back to the financial statement because the budget is prepared on a cash basis while the financial statement is done on an accrual basis. She compared the 2001 financial statement that used fund accounting to the new reporting procedures that no longer tie into the budget documents. Thus, a year-end review is prepared for the Board to detail information that is used daily by the finance division. Ms. Brunelli recommended that Trustees who wanted summaries should look at the financial statements and that would help them understand everything as one entity.

The year-end review document looks like the budget document, detailing total current funds, total unrestricted funds and total "A" or operating funds. Because of their size, the document reviews the Columbia campus auxiliary enterprises, specifically Housing, Parking, the Student Health Center, and Athletics.

Ms. Brunelli said that actual collections were above budgeted revenues. She said that for the total current funds revenue for the system, budget to actual variance was 3.6 percent, noting this was not satisfactory and she wanted to see budgeting closer to actual, or no more than a 2 percent variance. The

budget to actual for operating revenue was closer – 2.8 percent. The reason for variance is the timing related to creation of the budget in the spring of the year, when the fiscal year hasn't ended and estimates must be made as to where the year will end financially.

This year saw some unusual anomalies she said, as the student system was changed from the old IMS system to the Banner system. In that change, revenue is being recognized differently. Expenditures were on budget. As expected, fund balances are reduced for planned expenditures, but the reduction was not as much as budgeted. System operating "A" fund balances decreased by \$15.1 million, which was due primarily to budgeted expenditures for OneCarolina, faculty startup costs and expenditures related to capital projects in Columbia.

The Unrestricted Net Position was reduced by \$11.4 million across the system, while unexpended plant funds decreased due to funding for projects approved by the Board and detailed in the Five-Year Capital Plan. These projects included utility infrastructure and deferred maintenance.

Elliott Davis, the University's external auditors, reviewed the financial statements and the University received an unmodified opinion. Ms. Brunelli said that the purpose of the external audit is to affirm that the University's financial statements accurately reflect the financial position of the University and are completed in accordance with accounting standards.

The University uses the statements and budget to actual performance to develop the financial history. With that, the administration can make recommendations on how to meet the strategic objectives. Ms. Brunelli pointed out that a five-year history of the Statement of Net Position and the Statement of Revenue, Expenses and Changes in Net Position are included in the Year-End Review. This information is used to project where the University will be next year, in five years, and in 10 years. The Comprehensive Annual Financial Report in December will contain more analysis, she said.

Briefly, Ms. Brunelli also summarized bonded indebtedness by campus, noting that a hard copy was provided and that the document was on the Board Portal. She noted a new schedule had been included in the document showing the amount of debt service to be paid in each of the next five years before new debt would be issued. As of June 30, 2014, she said the University's debt was \$523 million, which was little changed over June 30, 2013. Ms. Brunelli then listed the approved capital project financing needs in the amount of \$108,150,000 for which State Institution Bonds and Revenue Bonds would be issued in Fiscal Year 2014-2015 and Fiscal Year 2015-2016. Among these projects were the Law School, Student Health Center, Athletics Department projects and work on Rutledge, Pinckney/Legare residence halls. She noted a decrease of about \$72 million from the amount discussed by Trustees in the spring. The spring numbers

included the Housing Master Plan that is being re-visited now that the University has a public-private partnership.

She concluded her presentation with a summary of challenges. These included sustaining and increasing enrollments; managing the use of campus fund balances; controlling costs; identifying alternative revenue sources; operationalizing OneCarolina student system and implementing the OneCarolina Finance and HR/Payroll system.

Chairman Warr stated that this report was received as information.

#### IV. Off-Cycle Fee Request: Pre-Nursing Fee, College of Nursing, USC Columbia

Chairman Warr called on Ms. Brunelli who said this off-cycle fee change was proposed to be implemented effective with the Fall 2015 semester. In order to communicate the fee to prospective nursing students, early approval of the fee was being requested.

Ms. Brunelli explained that the College of Nursing (CON) was seeking approval of a new fee for “pre-nursing” students enrolled in lower division courses. The fee requested was \$408 per semester. The intent for the dollars collected is to provide additional advising for those lower division students and to provide additional faculty members for the college. Dean Andrews has identified the need for resources to make sure that lower division students are adequately advised should they not progress to the upper division. To place the \$408 fee in context, students who are in Public Health programs or in Social Work programs in freshman/sophomore/senior status pay a health professions fee of \$700 per semester. Initially the CON asked to be included in this fee, but reevaluated the request at the request of the Provost.

Dean Andrews stated that the Board had charged the college with solving the progression issue and that she was asking for the resources to do so appropriately. She said changes already are evident from initial steps the college had taken; and that it would continue to try and help the students who are not admitted to the upper division to seamlessly move to another degree program within the University, which is typically Social Work or Public Health, or to get into another nursing program in the state.

In response to Mr. Fennell noting the good value for the quality of education provided, Dean Andrews noted that the University was about \$2,000 less per semester for nursing students than Clemson and \$1,000 less per semester than the Medical University of South Carolina. In response to a question from Mr. Lister, Ms. Brunelli said that the fee would apply to USC Columbia and the students in the USC Lancaster and USC Salkehatchie programs.

In response to Mr. Burroughs’ question about specifics of how the revenue generated would be used, Dean Andrews said there were 700 students in the lower division and two advisors to work with

them on courses they would take, assuming they would move into the upper division. The new revenue would be used to hire an additional high risk advisor to work with students with a GPA of 3.5 or less so those students would have an alternative plan ready when they receive notification of whether or not they have been accepted to the upper division. This would allow them to move seamlessly in their fourth semester into another plan, similar to a process being used in the School of Pharmacy. Also, she said the funds would be used to add four faculty members and a data manager to provide operations support, student enrollment management and records management.

Dr. Floyd noted past discussions about the issues dealing with students who were not progressing in the nursing program. He cited the importance of what Dean Andrews had accomplished in preventing the use of “crip courses” and electives from being used in evaluating student performance, which allowed students to be better evaluated for advancement in the college, and that students who don’t qualify have an alternative for continuing their education. Dean Andrews said that this past year the college had facilitated admission for students unable to progress into its upper division to USC Aiken, USC Beaufort, USC Upstate, and Francis Marion University.

Student Government President Richardson said the College of Nursing’s approach was a great idea because there was nothing more terrifying as a student than realizing your original plan was not working. It was wonderful to have an extra safety system to support students through this, she said.

Chairman Warr called for a motion to recommend that the full Board approve the Pre-Nursing Fee as described in the agenda materials and presented by Ms. Brunelli on behalf of the College of Nursing. Dr. Floyd so moved. Mr. Hubbard seconded the motion. The vote was taken and the motion carried.

#### Meeting Recessed

The meeting recessed at 12:25 p.m. for lunch as announced at the beginning of the meeting, although Chairman Warr announced action may be needed after the executive session.

#### Meeting Reconvened

Following lunch, the meeting reconvened at 1:10 p.m. Stating that there were proposed contractual matters and personnel matters appropriate for Executive Session, Chairman Warr called for a motion to enter Executive Session. Mr. von Lehe so moved and Dr. Floyd 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, Mr. Walton, Ms. Brunelli, Mr. Byrd, Dr. Hogue, Dr. Pruitt, Mr. Tanner, Mr. Meekins,

Dean Wilcox, Chancellor Upshaw, Chancellor Moore, Mr. McNeish, Mr. Kirkland, Mr. Gruner, Mr. Heath and Mr. Hickman.

Executive Session

Return to Open Session

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 4:35 p.m.

Respectfully submitted,

Amy E. Stone  
Secretary