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University of South Carolina  
BOARD OF TRUSTEES

Executive Committee

December 19, 2017

The Executive Committee of the University of South Carolina Board of Trustees met at 10:40 a.m. on Tuesday, December 19, 2017, in the Alumni Center's C. Edward Floyd Boardroom.

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

Other Trustees present were: Mr. Chuck Allen; Mr. J. Egerton Burroughs; Mr. Mark W. Buyck Jr.; Mr. Thomas C. Cofield; Mr. A.C. "Bubba" Fennell; Mr. William C. Hubbard; Ms. Leah B. Moody; Mr. Tommy Preston Jr.; Dr. C. Dorn Smith III; Ms. Molly M. Spearman; Mr. Thad H. Westbrook; and Mr. Mack I. Whittle Jr.; with Mr. Charles H. Williams joining by telephone.

Also present were Columbia Faculty Senate Chairman Marco Valtorta and Columbia Student Government President Ross Lordo.

Others present were: President Harris Pastides; Secretary J. Cantey Heath Jr.; General Counsel Walter "Terry" H. Parham; Chief Operating Officer Edward L. Walton; Provost Joan Gabel; Chief Financial Officer Leslie Brunelli; Vice President for Student Affairs Dennis A. Pruitt; Athletics Director Ray Tanner; Vice President for Information Technology Doug Foster; Vice President for Human Resources Chris Byrd; Vice President for Research Prakash Nagarkatti; Vice President for Development Jancy Houck; Chief Communications Officer Wes Hickman; Vice President for Facilities and Transportation Derrick Huggins; Vice President for System Planning Mary Anne Fitzpatrick; Palmetto College Chancellor Susan Elkins; USC Upstate Chancellor Bendan Kelly; USC Beaufort Chancellor Al Panu; USC Aiken Chancellor Sandra Jordan; Chief Audit Executive Pam Doran; University Treasurer Pat Lardner; Executive Director of Economic Engagement William D. "Bill" Kirkland; Director of State Government Relations Derrick Meggie; College of Arts and Sciences Dean Lacy Ford; Vice Provost and Dean of the Graduate School Cheryl L. Addy; Associate Provost for Academic Programs Tena Crews; University Architect Derek Gruner; Associate Vice President for Administration and Finance and Medical Business Affairs Jeffrey L. Perkins III; USC Aiken Executive Vice Chancellor for Academic Affairs Jeff Priest; USC Aiken Dean of the School of Education Judy Beck; USC Aiken Dean of the College of

Sciences and Engineering Daren Timmons; Executive Director of the Alumni Association Jack Claypoole; Ann Loadholt, wife of Trustee Miles Loadholt; Cynthia Lister, wife of Trustee Toney Lister; University Technology Services Production Manager Matt Warthen; and Board staff members Debra Allen, Terri Saxon and Ina Wilson.

I. Call to Order

Chairman von Lehe called the meeting to order and stated 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 news media in attendance: Bristow Marchant with *The State* newspaper.

**Motion for Executive Session**

Chairman von Lehe requested a motion and second for an Executive Session for proposed contractual matters regarding athletics and campus development, and for legal advice regarding proposed compliance matters.

Mr. Mobley made the motion, which was seconded by Mr. Loadholt. The vote was taken, and the motion passed.

The following persons were invited to remain: President Pastides, Secretary Heath, Dr. Valtorta, Mr. Lordo, Mr. Parham, Mr. Walton, Ms. Gabel, Dr. Pruitt, Ms. Brunelli, Mr. Tanner, Mr. Hickman, Ms. Doran and Dr. Kelly.

**Executive Session**

**Return to Open Session**

II. Contracts

Chairman von Lehe called on Mr. Parham.

A. USC Upstate

1. Big South Conference Agreement

Mr. Parham said USC Upstate sought Board approval to leave the Atlantic Sun Conference and join the Big South Conference. Specifically, he said, the motion was to authorize USC Upstate to take all actions necessary to terminate its affiliation with the Atlantic Sun Conference and to join

the Big South Conference, including the payment of appropriate fees as required by the constitution and bylaws of the Big South Conference and the Atlantic Sun Conference.

Mr. Mobley made the motion to recommend full Board approval and Mr. Loadholt seconded the motion. The vote was taken, and the motion was approved.

2. Employment Agreement, Head Men's Basketball Coach Kyle Perry

Mr. Parham said USC Upstate Chancellor Brendan Kelly sought approval of an employment agreement with Kyle Perry to become the new Head Men's Basketball Coach at USC Upstate. The terms of the proposed contract are:

- Five-year contract begins upon approval of the Board and ends April 30, 2022.
- Coach Perry will be paid an annual salary of \$100,000 through June 30, 2018; \$125,000 in year two of the contract; and \$150,000 in contract years three, four and five.
- There are no incentive provisions in the contract.
- Coach Perry will have the right to conduct basketball camps up to three weeks each summer.
- USC Upstate can terminate the contract for cause, and the grounds constituting "for cause" are the standard provisions in the University's athletics employment agreements.
- If USC Upstate terminates the contract without cause prior to April 30, 2019, USC will pay \$75,000 per year for each full contract year (May 1 – April 30) remaining on the contract through April 30, 2019, or a pro-rated amount thereof for any partial year remaining through April 20, 2019.
- If USC Upstate terminates the contract without cause after May 1, 2019, USC Upstate will only pay an amount equal to one month of Coach Perry's annual base salary, which will not exceed \$12,500.
- If Coach Perry terminates the contract at any time, he is not obligated to pay a buyout.

Chairman von Lehe called for a motion to recommend approval by the full Board of the employment agreement for USC Upstate's Head Men's Basketball Coach Kyle Perry. Mr. Lister so moved. Dr. Floyd seconded the motion. The vote was taken, and the motion was approved.

B. Army ROTC Agreement

Mr. Parham said approval was sought to renew the University's agreement to host the Army ROTC program on campus. He said the Army Cadet Command had been directed to update its agreements (DA Form 918-A) with all host universities. There are no substantive changes from the previous agreement, and the program will continue to operate as it has since 1980.

Under the agreement, USC agrees to maintain a four-year academic program in military science, and to provide and maintain classroom space and faculty offices for military degree courses and faculty. The Army is responsible for assigning military personnel to administer the ROTC program, and agrees to pay the tuition and fees associated with its courses for its cadets enrolled at USC.

The 10-year agreement has an estimated value of \$5 million and can be terminated by either party without cause with one academic year's notice.

Chairman von Lehe called for a motion to recommend approval by the full Board to renew the Army ROTC program at USC. Mr. Warr so moved. Mr. Mobley seconded the motion. The vote was taken, and the motion was approved.

C. Engineering Student Exchange Agreement, Yonsei University

Mr. Parham said the College of Engineering and Computing sought approval to renew its dual degree program agreement with Yonsei University, a private research university in Seoul, South Korea, which is considered the most prestigious in the country.

Under the agreement, graduate students who have been admitted to the doctoral program at USC or the combined Master of Science/Ph.D. program at Yonsei can apply for the dual degree program. Each institution agrees to accept up to five students each year. Visiting students must meet all admission requirements of the host institution, must register as full-time students, and must pay all tuition and fees at the host institution.

Each institution will establish its own degree requirements. Students successfully completing the dual degree program will receive a Master of Science degree from both institutions. The agreement also allows the exchange of non-degree seeking students. These students must be admitted to the host institution and pay the standard nonresident tuition rate. Either party may terminate the agreement upon six months written notice, but students already enrolled shall be allowed to complete their degree program.

Mr. Parham said the value of the five-year agreement is estimated at \$2,250,000.

Chairman von Lehe called for a motion to recommend approval by the full Board of the Engineering Student Exchange Agreement with Yonsei University. Mr. Loadholt so moved. Mr. Lister seconded the motion. The vote was taken, and the motion was approved.

D. S.C. Department of Commerce Boeing Endowment

Mr. Parham said approval was sought for acceptance of a \$2 million grant from the S.C. Department of Commerce to be used to establish The Boeing Endowment to recognize and honor the company's significant investment in the state. The endowment will serve the College of Engineering and Computing and will be used to support and promote practiced-based innovative teaching and research by funding two designated faculty positions – one in the field of Material Architecture, and one in the field of Integrated Intelligent Manufacture Systems.

Chairman von Lehe called for a motion to recommend approval by the full Board to accept the \$2 million grant from the S.C. Department of Commerce. Dr. Floyd so moved. Mr. Warr seconded the motion. The vote was taken, and the motion was approved.

E. Butler Endowed Scholarship Gift Agreement

Mr. Parham said the University's Development Office sought approval of a gift agreement to establish the James G. and Linda Ann Butler Endowed Scholarship Fund. He explained the University was a named residuary beneficiary in the Last Will and Testament executed by James G. Butler. Mr. Butler grew up in Union County and spent two years at the Citadel before transferring to USC, where he graduated in 1965 with a degree in English. While at USC, he was a member of Sigma Alpha Epsilon fraternity. Mr. Butler was a successful stockbroker and worked for Hewlett Packard, Merrill Lynch and American Funds.

Under the will, USC is to create the James G. and Linda Ann Butler Endowed Scholarship Fund and use the endowment income it receives for undergraduate scholarships or research grants. The will specified the scholarships or grants are to be awarded to students from South Carolina or Texas based on need and are not to exceed \$15,000 each, adjusted for inflation.

Mr. Butler died in September 2017 and his will has been probated. Mr. Parham said the estate's executor recently informed the University it would receive \$1,550,000 under Mr. Butler's will. The estate would like the University to accept the funds and approved the gift agreement before the end of 2017.

Chairman von Lehe called for a motion to recommend approval by the full Board to establish the permanently endowed scholarship as described by Mr. Parham and in the materials posted on the Board Portal. Mr. Lister so moved. Dr. Floyd seconded the motion. The vote was taken, and the motion was approved.

F. Army National Guard Lease Agreement

Mr. Parham said approval was sought to renew a lease with the U.S. Department of the Army, Army National Guard for the 5.72 acres of property located at 1101 Bluff Road across from Williams-Brice Stadium. The University has leased this property from the Army National Guard for several years. Originally, it was used by the Athletics Department as a practice field for the football team. More recently, it has been used by Student Affairs for student athletics activities.

The term of the lease is five years beginning May 1, 2018 and ending April 30, 2023. It is the standard U.S. government lease, which means its provisions are non-negotiable. The University will pay \$215,000 per year, in advance. The University is responsible for paying for any utilities necessitated by its

use of the property and is required to maintain liability insurance with limits of \$1 million for bodily injuries resulting from its use of the property. The lease can be terminated at any time upon 30 days written notice.

Chairman von Lehe called for a motion to recommend approval by the full Board to renew the Army National Guard lease. Mr. Mobley so moved. Mr. Loadholt seconded the motion. The vote was taken, and the motion was approved.

G. Services Agreements, USC School of Medicine Columbia

Mr. Parham said approval was sought for three services agreements related to the Palmetto Health – USC Medical Group (Medical Group). The agreements are inter-related and will be presented together for a single motion.

First, the USC School of Medicine (SOM) requests approval of an extension of the current Management Services Agreement between the SOM, the SOM Educational Trust, and the Medical Group, through June 30, 2018. The agreement was approved by the Board in 2015 and expires December 31, 2017. It provides that the SOM and the Trust will provide certain administrative personnel to the Medical Group to assist in its management and operation. In return, the Medical Group reimburses the SOM and the Trust fully for all salary, fringe benefit and employment-related expenses associated with such personnel.

Second, the SOM requests approval a three-year services agreement with the Medical Group, ending September 30, 2020. Under this agreement, the University will provide access to certain USC central support systems necessary for the Medical Group to operate administratively, including human resources, technology services, accounting and finance, research, and procurement and purchasing. In exchange, the Medical Group will pay USC all direct expenses incurred in providing the system access, estimated to be \$435,000 annually.

Third, the SOM requests approval of a three-year services agreement with the Medical Group, ending September 30, 2020. Under this agreement, the Medical Group will provide the SOM personnel to handle human resources services and information technology services. In exchange, the SOM will pay the Medical Group all direct expenses incurred in providing these personnel services, estimated to be \$625,000 annually.

Chairman von Lehe called for a motion to recommend approval by the full Board of the three service agreements. Dr. Floyd so moved. Mr. Warr seconded the motion. The vote was taken, and the motion was approved.

H. Adobe Computer Software Agreement

Mr. Parham said approval was sought of a new Adobe Enterprise License Agreement. The purpose of the agreement is to allow University Technology Services (UTS) to purchase an array of Adobe Acrobat and Creative Suite products. The three-year license agreement begins January 2018 at a total cost of \$591,384. The license fee is paid by UTS, which in turn resells the Adobe software via individual licenses to USC departments, faculty and staff.

Chairman von Lehe called for a motion to approve the Adobe Enterprise License Agreement. Mr. Mobley so moved. Mr. Loadholt seconded the motion. The vote was taken, and the motion was approved.

I. Gideon Taylor Computer Software Agreement

Mr. Parham said on August 18, 2017, the Board approved an agreement with IBM authorizing it to implement the Human Resources (HR) and Payroll modules of what used to be called OneCarolina. That implementation is scheduled to be completed by the end of 2018.

As part of the HR-Payroll system project, Vice President Doug Foster and USC Information Technology now seek approval of an agreement with Gideon Taylor Consulting, LLC. Gideon Taylor will be responsible for the implementation of eForm to automate HR processes. For example, Mr. Parham said, Gideon Taylor will develop for the system eForms to automate the student hiring process and the faculty-staff hiring system. The contract cost is not to exceed \$295,218 and the project is to be completed by June 30, 2018.

Chairman von Lehe called for a motion to approve the agreement with Gideon Taylor Consulting, LLC. Mr. Lister so moved. Dr. Floyd seconded the motion. The vote was taken, and the motion was approved.

J. Aiken County Public School District MOU

Mr. Parham said USC Aiken sought approval of a Memorandum of Understanding with the Aiken County Public School District to create the Aiken Scholars Academy, a joint academic collaboration. Designed to create an academic school of excellence and provide an elite academic experience to better prepare high school students for college, the academy will begin classes in the fall of 2018.

Under the one-year term of the agreement, which is subject to annual renewal, USC Aiken will be responsible for providing and maintaining appropriate classroom space and office space for the academy.

The school district will administer the academy, including the hiring of a principal and qualified teachers, and be responsible for the high school curriculum and student discipline. It will also select 50 top

ninth-grade students based on standardized test scores, report card grades, writing samples and recommendations from across the county each year for enrollment in the academy so that in year four, 200 students will be enrolled.

During the 9th and 10th grade years, students will take advanced placement high school courses taught by school district teachers. If their academic performance is inadequate, they will be required to leave the academy and return to the public high school for which they are zoned.

During the students' 11th and 12th grade years, students continuing to qualify for dual enrollment will take USC Aiken courses taught by USC Aiken faculty and receive college credits. After four years, students could have completed 10 advanced placement high school courses and 48 or more hours of college credit. After graduating from the academy, students could continue at USC Aiken and complete their college degrees in as little as two years or transfer eligible credits to another college or university.

For the 2018-19 academic year, the school district will pay USC Aiken a license fee of \$8.75 per square foot for classroom and office space utilized by the academy. It is anticipated this fee will total \$25,113 (2,870 square feet) in year one. The license fee will be renegotiated annually.

For each academy student, the school district also will pay USC Aiken a security and technology fee equal 50% of what full-time USC Aiken students pay. And, the school district will pay USC Aiken the Board of Trustees-approved per student dual enrollment tuition cost for all juniors and seniors enrolled in USC Aiken college credit courses.

Chairman von Lehe called for a motion to approve the Memorandum of Understanding between USC Aiken and the Aiken County Public School District to create the Aiken Scholars Academy. Mr. Loadholt so moved. Mr. Lister seconded the motion. The vote was taken, and the motion was approved.

K. Indefinite Delivery Contracts, Architectural Services

1. 1x1 Design, Inc.
2. Compass 5 Partners, LLC
3. Jumper Carter Sease
4. Liollo Architecture
5. Studio 2LR

L. Indefinite Delivery Contracts, Electrical Services

1. Belka Engineering Associates, Inc.
2. Land Engineering Associates, LLC
3. RMF Engineering, Inc.

M. Indefinite Delivery Contracts, Structural Services

1. Michael M. Simpson & Associates, Inc.
2. Chao & Associates, Inc.

3. ADC Engineering, Inc.

Mr. Parham said approval was sought for 11 Indefinite Delivery Contracts for architectural and engineering services. The provisions in the contracts are identical and established by the state. The contract term is for two-years, during which the maximum amount any one company can earn is \$500,000, with a maximum amount per project restricted to \$200,000.

Chairman von Lehe called for a motion to approve the 11 Indefinite Delivery Contracts as described by Mr. Parham and posted in the materials on the Board Portal. Mr. Mobley so moved. Mr. Warr seconded the motion. The vote was taken, and the motion was approved.

III. University Finance Update

– Comprehensive Annual Financial Report for Fiscal Year 2017

Chairman von Lehe called on Ms. Brunelli who began by noting Trustees had previously seen much of the information she would share, except for items she would highlight that are not specific to the University, but are impacts to be expected from the tax reform bill and the pending higher education reauthorization.

Ms. Brunelli said the FY2017 Comprehensive Annual Financial Report (CAFR) was available on the Board Portal and she would provide hard copies on request. Section Two of the CAFR was presented by Elliott Davis in October 2017, with the introductory material and statistical section added as a requirement of the award received by the University from the Government Finance Officers Association, which had been received each spring for the past six years. She noted additional information would be presented on FY 2017 at the January 2018 Board Retreat.

Regarding the budget model redesign, she said, Elliott Davis had been provided all information for Fiscal Year 2017 and is working through it for presentation at the Board Retreat. Huron Consulting had been engaged to develop a change management strategy, which involves meeting with deans and faculty about how the budget model developed by Elliott Davis can be implemented under the University's shared governance model that requires faculty involvement in decisions about the drivers inside the budget model such as how state appropriations are split.

Trustee Smith, chair of the Audit and Compliance Committee, said he had met with Huron and Elliott Davis and his committee would be involved in receiving reports from both consultants, with a report from Huron expected at the Board Retreat in January 2018. Ms. Brunelli confirmed the Huron fee was \$249,500. Chairman von Lehe noted this would be a focus of the Board Retreat and was a topic on which several Trustees had been working together with Ms. Brunelli.

Ms. Brunelli then presented a summary of the University's bond indebtedness as of November 30, 2017, which amounted to \$613.8 million outstanding. With no bond activity between December and the end of the fiscal year, she said, the year would end with the bond indebtedness at \$587.6 million after payment of the principal in the spring. She provided a graph illustrating the annual bond indebtedness since 2007, with a corresponding list of the funded projects. No additional bonds will be issued until the spring of 2019, when they are issued for the Greek Village Parking Facility.

Moody's Investors Service has downgraded the entire higher education sector outlook from stable to negative, noting the weak revenue growth potential, increased expenditure growth primarily for fringe benefits, and federal policy uncertainty. The last time Moody's issued a negative outlook was during the recession, Ms. Brunelli said.

Because institutional reserves are a plus, the Moody's outlook could improve if there is at least 3% revenue growth, stabilized expenditure growth, and solid student demand. Ms. Brunelli illustrated the University's financial performance highlights in a graph format, which illustrated the University's operating revenue being above 3% in all but one of the past seven years. The University's expenditures have remained stable near 5% (6.5% with GASB 68) and its demand is strong based on the number of applications, which makes it an anomaly among what Moody's is reporting in the sector.

Fitch Ratings, which focuses on different segments of institutions, issued a stable outlook, while Standard and Poor's outlook will be released in January 2018.

Ms. Brunelli then addressed federal policy impacts, including tax reform and the Higher Education Act Reauthorization. Issues related to tax reform include the impact of doubling the standard deduction on charitable giving, elimination of the college athletic event seating rights deduction, changes in reporting unrelated business income tax, the employer-paid 21% excise tax on executive compensation, and removal of tax exempt advance refunding. In the past five years, she said, the University saved \$28 million on advance refunding of its debt.

President Pastides recognized the efforts of Senator Tim Scott's role as a conferee who helped preserve the deductibility of tax on education loans after graduation, not to tax assistantships and tuition waivers, and the life-time learning credit – all matters which would have had great impact on college affordability.

The other bill of concern now in the House of Representatives is the Higher Education Act Reauthorization. It governs all federal regulations under which the University functions, including all the financial aid the University can award. As drafted, this law contains good and bad things, including income-

based loan repayment and the loan forgiveness program for those employed in the public sector.

The Higher Education Price Index (HEPI), released annually in July, was released earlier this month due to a change in the reporting cycle. HEPI is composed of eight variables and is reported at 3.70% for 2017, the highest it has been since 2008. The increase was led by fringe benefits, while the University has not been as affected by the highly volatile factors, which includes the cost of supplies and materials and utilities.

Ms. Brunelli concluded her remarks with a recap of the Darla Moore School of Business 37<sup>th</sup> Annual Economic Outlook Conference, which offered a hopeful tone. The Governor's Executive Budget would be available in January and the House Ways and Means Higher Education Subcommittee was scheduled for January 23, 2018.

Dr. Valtorta, chairman of the Columbia campus Faculty Senate, thanked Ms. Brunelli and Provost Gabel for inclusion of a faculty member on the budget model redesign committee. "The faculty is very interested in the redesign and having a voice in helping to create the best budget model for the University," he said. He recognized the final decision rested with the Board of Trustees, but noted the importance to the success of the University to have the faculty remain involved and committed to the outcome.

#### IV. Adjournment

With no further matters to come before the committee, Chairman von Lehe declared the meeting adjourned at 12:50 p.m.

Respectfully submitted,

J. Cantey Heath, Jr.  
Secretary