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University of South Carolina
BOARD OF TRUSTEES

Executive Committee

June 20, 2014

The Executive Committee of the University of South Carolina Board of Trustees met at 9:00 a.m. on Friday, June 20, 2014, in the Board Room at 1600 Hampton Street.

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

Other Trustees present were: Mr. Chuck Allen; Mr. Robert "Eddie" Brown; Mr. Mark W. Buyck, Jr.; Mr. Thomas C. Cofield; Mr. A.C. "Bubba" Fennell; Mr. Hubert F. Mobley; Ms. Leah B. Moody; Dr. C. Dorn Smith III; and Mr. Thad H. Westbrook.

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

Others present were: President Harris Pastides; Secretary Amy E. Stone; Provost Michael D. Amiridis; Chief Operating Officer Edward L. Walton; General Counsel Walter "Terry" H. Parham; Chief Financial Officer Leslie Brunelli; Vice President for Student Affairs Dennis A. Pruitt; Vice President for Information Technology William F. Hogue; Vice President for Human Resources Chris Byrd; Athletics Director Ray Tanner; Chief Communications Officer Wes Hickman; Executive Director for the Office of Economic Engagement William D. "Bill" Kirkland; Director of State Relations Trey Walker; Director of Government and Community Relations and Legislative Liaison Shirley Mills; Chief of Staff, President's Office, J. Cantey Heath Jr.; Palmetto College Chancellor Susan A. Elkins; USC Beaufort Chancellor Jane Upshaw; USC Upstate Chancellor Thomas Moore; Vice Chancellor for Finance and Administration, USC Aiken, Joe Sobieralski; College of Arts and Sciences Dean Mary Anne Fitzpatrick; School of Medicine Columbia Interim Dean Caughman Taylor and Assistant Dean, Medical Student Education-Florence, William Hester, both of whom joined the meeting by telephone; Associate Vice President for Administration and Finance and Medical Business Affairs Jeff Perkins; Associate Dean for Clinical Affairs and Chief Medical Officer, School of Medicine Columbia, William D. Anderson III; Associate Dean for

Medical Education and Academic Affairs, School of Medicine Columbia, Joshua Thornhill; School of Medicine Legal Counsel, School of Medicine Columbia, Hedy Zaragoza; Vice Provost for Health Sciences Meera Narasimhan; Director of Academic Programs, Provost Office, Kristia H. Finnigan; Program Director, Athletic Training, College of Education, Toni Torres-McGehee; College of Hospitality, Retail and Sport Management Dean Brian Mihalik; Chair of Sport and Entertainment Management, College of Hospitality, Retail and Sport Management, Matt Brown; University Treasurer Susan D. Hanna; Executive Director of Internal Audit Pam Doran; University Controller Jennifer Muir; Director of Capital Budgets and Financing, Division of Administration and Finance, Charlie Fitzsimons; University Budget Director, Division of Administration and Finance, Harry Bell; Senior Budget Analyst, Division of Administration and Finance, Susie Vitaris; Senior Budget Analyst, Division of Administration and Finance, Ralph Summer; Senior Finance Applications Analyst, Division of Administration and Finance, Wendy Scott; Junior Budget Analyst, Division of Administration and Finance, Sean Cleary; USC Columbia Student Government Chief of Staff Lauren Harper; Palmetto Health President John Singerling; University Technology Services Production Manager Matt Warthen; and Board staff members Debra Allen and Ina Wilson.

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: Andy Shain and David Cloninger with *The State*; Wes Mitchell with *The Big Spur*; Scott Hood with *Gamecock Central*; and Rodney Welsh with the *Free Times*.

Chairman Warr stated that there was a need to discuss a proposed contractual matter appropriate for Executive Session. Chairman Warr called for a motion to enter Executive Session. Mr. Lister so moved and Mr. von Lehe 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.

Executive Session

Return to Open Session

I. Contracts

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

A. Athletics Employment Contract

Mr. Parham said that approval was sought, on behalf of the President, for an amendment to Athletics Director Ray Tanner's contract that would extend the employment agreement by

two years until June 30, 2019, and increase Mr. Tanner's salary by \$50,000 for a total guaranteed compensation of \$725,000.

Chairman Warr called for a motion to recommend that the full Board approve Mr. Tanner's employment contract as described in the agenda materials and presented by Mr. Parham. Mr. Loadholt so moved. Mr. Lister seconded the motion. The vote was taken and the motion carried.

B. U.S. Army Financial Management School, Darla Moore School of Business

Mr. Parham said that approval was sought for the Darla Moore School of Business (DMSB) to enter into an agreement with the U.S. Army Financial Management School to provide an Enterprise Resource Planning (ERP) program of study to U.S. Army financial managers. The educational program will consist of four graduate level courses designed to provide the Army financial managers with a working knowledge of the function, design, control and use of ERP systems implemented by the federal government and its suppliers. At the conclusion of the program, students will take an enterprise systems certification exam, the results of which the DMSB will use to determine the success of the educational program and whether it will be continued.

The DMSB will teach these courses in cohorts of up to 25 students. Each student must have an undergraduate degree and apply and be admitted to the DMSB. The Army Financial Management School will be billed tuition of \$7,104, plus a \$200 technology fee per student. That equates to a tuition rate of \$592 per credit hour, which is the Graduate Special Student Rate approved by the Board for the DMSB in the University's current budget. The fee schedule included in the University's FY 2014-15 budget to be considered later today includes an increase in the Graduate Special Student Rate to \$675 per credit hour. The new rate, if approved, will apply to this program beginning in the fall.

The term of the proposed contract is five years, ending May 31, 2019. Either party may terminate the contract on 90 days written notice. The DMSB estimates that this contract will generate revenues of approximately \$1.7 million during its five-year term.

Chairman Warr called for a motion to recommend full Board approval of the agreement with the U.S. Army Financial Management School as described in the agenda materials and presented by Mr. Parham. Mr. Lister so moved. Dr. Floyd seconded the motion. The vote was taken and the motion carried.

C. Delta Charter Flight Agreement, Athletics Department

Mr. Parham said that approval was sought for the Athletics Department to enter into a charter flight agreement with Delta Air Lines under which the Gamecock football team will be transported to four away games this season: Vanderbilt, Kentucky, Auburn, and Florida. This is the

standard charter flight agreement that Athletics has entered into for the past few years. The total cost of the contract is \$439,524, compared to last year's contract cost of \$430,858.

Chairman Warr called for a motion to approve the charter flight agreement as described in the agenda materials and presented by Mr. Parham. Dr. Floyd so moved. Mr. von Lehe seconded the motion. The vote was taken and the motion carried.

D. Campus Televideo, Inc., University Technology Services

Mr. Parham said that University Technology Services (UTS) sought approval of a contract for cable television service to the USC Columbia campus with Campus Televideo, Inc., formerly known as Lamont Digital Systems, Inc., that would extend the existing contract for one year. For the last several years, the University has contracted with this company to provide cable television programming to the University's residence halls, Greek Housing units, the National Advocacy Center housing units, more than 374 enhanced classrooms on campus, and 372 displays in Williams-Brice Stadium, Colonial Life Arena and Carolina Stadium. This programming is commonly known by University students as Gamecock Cable and has more than 100 channels including local stations, news stations, sports and movie channels.

The term of the contract is for one year beginning July 1, 2014, and ending June 30, 2015. UTS will pay \$382,788 for the service. The contract provides that if programmers – that is, stations, increase their rates, those rates will be passed along to the University upon 30 days' notice, so it is possible that the total cost could increase slightly.

During the coming fiscal year, Mr. Parham said that UTS intends to issue a new solicitation to all interested cable providers and would bring a new cable contract to the Board for consideration next summer.

Chairman Warr called for a motion to approve the cable television service contract 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.

E. Taylor & Francis Group, University Libraries

Mr. Parham said that approval was sought for University Libraries to enter into a license agreement with Taylor & Francis Group, under which the library would obtain access to 1,931 online refereed journal subscription titles. The agreement is for one year, ending December 31, 2014, at a cost of \$330,406.39, paid from the Library materials budget. In response to questioning, Mr. Parham indicated that he was working with University Libraries to ensure contracts arrived before the Board in a timelier manner.

Chairman Warr called for a motion to approve the agreement with Taylor & Francis as described in the agenda materials and presented by Mr. Parham. Mr. Loadholt so moved. Mr. von Lehe seconded the motion. The vote was taken and the motion carried.

F. General Information Services, Division of Human Resources

Mr. Parham said that approval was sought for the Division of Human Resources to contract with a company named General Information Services to provide background checks and drug testing services to the University System.

The University now requires a background check on all new faculty, staff and student employees. A credit check also is required on anyone, including student employees, whose job involves handling finances. And, the University is required to drug test certain employees – both pre-employment and periodically thereafter during their employment – who are in safety, security areas such as law enforcement, emergency medical technicians, and certain health care workers in the student health center.

This contract is the result of a solicitation issued by Human Resources in accordance with the State Procurement Code. Thirteen companies responded. General Information Services was found to best meet the needs of the University. The term of the contract is one year beginning upon approval by the Board and ending May 31, 2015. The contract can be renewed by the University for up to three additional one-year terms. Human Resources estimates it will spend approximately \$250,000 per year; however, over the life of the contract, the total cost cannot exceed \$1 million. Human Resources will pay General Information Services the cost of these background searches and drug and alcohol tests, and then the University department hiring or employing the employee in question will reimburse Human Resources.

Chairman Warr called for a motion to approve the contract with General Information Services as described in the agenda materials and presented by Mr. Parham. Mr. Lister so moved. Dr. Floyd seconded the motion. The vote was taken and the motion carried.

II. University's FY 2014-2015 Annual Operating Budget

Chairman Warr called on Ms. Brunelli for presentation of the budget. Before beginning her presentation, Ms. Brunelli introduced members of the Budget Office and thanked them for their work.

Ms. Brunelli began by presenting the budget calendar, a six-month representation of how the budget comes together for the University. She noted that the year was unusual in that it was a consensus budget instead of a conference budget from the State Legislature. The budget contained a surprise in that there was a half percent increase in the pay package on the last day of the legislative session, which required a lot of rework of the University budget.

Ms. Brunelli presented slides summarizing various aspects of the FY 2014-2015 budget [Exhibit A]. The first slide showed the total current funds budget for FY 2014-2015 revenues at \$1,338,209,368, with tuition and fees making up 47.5 percent of the total and state appropriations comprising 10.8 percent. Those percentages, she said, compare with 31 percent from tuition and 24 percent from the state 10 years ago; while 15 years ago, 25 percent was from tuition and 39 percent was from the state.

The total current funds budget for FY 2014-2015 expenditures was presented broken down by program at \$1,354,416,154, with over 71 percent of the budget going directly toward the University's mission of instruction, research, scholarships and fellowships, academic support, and student and public services, while the balance is allocated to overhead – institutional support, auxiliary enterprises, and the operation and maintenance to keep up the physical facilities.

Ms. Brunelli next showed a more detailed breakdown of the budget illustrating where revenue comes from and what it covers: \$746.7 million or 55.8 percent of the operating budget is from state appropriations, tuition and fees, unrestricted grants, contracts and gifts, sales and services and other sources and pays for instruction, academic support, student services, physical plant, administrative support and scholarships. Restricted funds, which originate from research grants and contracts, gifts, and federal and student financial aid sources, account for 23 percent of revenues and pays for research, public service and scholarships.

In summary, she said the University would receive \$142 million from the state consensus budget, including \$1.8 million in new funds and \$3.8 million in non-recurring funds of which \$1,136,760 must be returned to the state to cover the University's portion of a state-mandated Higher Education Efficiency and Accountability Study. She indicated that the state will provide \$4.2 million toward the state pay package. She noted that the University did not receive deferred maintenance funding, but did receive \$3.2 million in lottery funding for repair and replacement of critical equipment.

Ms. Brunelli provided Board members information detailing the current and proposed tuition and fees for all campuses and comparison data on the resident undergraduate cost of attendance for colleges and universities in South Carolina. Winthrop has the highest tuition, followed by Clemson and the Citadel, with USC Columbia in fourth place. She also provided comparison data on the resident and non-resident undergraduate cost of attendance for Southeastern Conference (SEC) institutions, minus Vanderbilt which is private. USC Columbia has had the highest tuition in the SEC until this year when Kentucky and Tennessee exceeded USC's rate. When other costs are included, Alabama has the highest cost of attendance for resident undergraduates.

The budget proposal being submitted for approval included a 3.2 percent tuition increase for all rates, which is a \$171 per semester increase for undergraduate resident students and a \$456 per semester increase for non-residents. She noted that the 3.2 percent increase for pharmacy students is an annual rate since Summer is a required term. The medical tuition increase request is for 5 percent. The tuition increase for System campuses also is for 3.2 percent, except for USC Beaufort that has a 4.8 percent increase request. USC Beaufort has the lowest four-year tuition rate in South Carolina and it will take one more year for the rate to be on par with its status as a four-year institution.

Housing has a proposed increase of 3.8 percent, she said, showing a representative sampling of the Columbia campus rates along with rates for USC Aiken, which has proposed a 1 percent increase, and USC Upstate, which has proposed a 2 percent increase. She noted that Housing must cover 100 percent of the increases for the pay package, retirement and health insurance. On the Columbia campus, the meal plan increase is tied to the Consumer Price Index for the month of April, which will be a 3.8 percent increase. USC Aiken also has a proposed 3.8 percent increase in its meal plan, while USC Upstate has a proposed 4 percent increase. USC Beaufort's housing and meal plans are controlled and operated by the Beaufort Jasper Higher Education Commission.

Using the Columbia campus as the example, Ms. Brunelli summarized the budget initiatives to be funded with the \$9.5 million tuition increase as \$5.2 million in unfunded costs associated with the state's pay package, health insurance and Affordable Care Act implementation; \$1.4 million to cover utility increases; \$391,600 for scholarships (4 percent fee waiver increase for in-state undergraduates); and \$125,000 for the tort, property and casualty insurance reserve. Strategic priorities to be funded with the increase include University infrastructure costs of \$500,000 each for capital renewal and the information technology security initiative known as SecureCarolina; student growth initiatives that call for \$800,000 to be allocated to Student Affairs and \$360,000 to University Libraries. On the Columbia campus, \$3 million in additional dollars expected from an increase in enrollment will be allocated in the following manner: In the area of student growth initiatives, \$1.6 million for dean and faculty recruitment and \$450,000 for Student Affairs; in the area of institutional support initiatives, \$600,000 for Law Enforcement and Safety; \$200,000 for Administration and Finance; and \$150,000 for Human Resources.

Ms. Brunelli said that a bound budget document would be printed and made available to Board members in August.

Chairman Warr called for a motion to recommend approval to the full Board of the University's FY 2014-2015 Annual Operating Budget as presented by Ms. Brunelli. Mr. von Lehe so moved. Mr. Loadholt

seconded the motion. The vote was taken and the motion carried.

III. Other Matters

There were no other matters to come before the committee.

IV. Adjournment

Since there were no other matters to come before the Executive Committee, Chairman Warr declared the meeting adjourned at 10:30 a.m.

Respectfully submitted,

Amy E. Stone
Secretary