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University of South Carolina  
BOARD OF TRUSTEES

Executive and Governance Committee

June 21, 2019

The Executive and Governance Committee of the University of South Carolina Board of Trustees met at 11:05 a.m. on Friday, June 21, 2019, in the C. Edward Floyd Boardroom at the Pastides Alumni Center.

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

Other Trustees present were: Mr. C. Dan Adams; Mr. Chuck Allen; Mr. J. Egerton Burroughs; Mr. Robert F. Dozier Jr.; Mr. William C. Hubbard; Mr. Richard A. Jones Jr.; Ms. Leah B. Moody; Dr. C. Dorn Smith III; Ms. Molly B. Spearman; Mr. Thad H. Westbrook; and Mr. Charles H. Williams; with Mr. A. C. "Bubba" Fennell III and Ms. Rose Buyck Newton joining by telephone. Mr. Mack I. Whittle Jr. was absent.

Also present were: USC Columbia Faculty Senate Chairman Marco Valtorta and USC Columbia Student Government President Luke Rankin.

Others present were: President Harris Pastides; Interim President-Elect and USC Upstate Chancellor Brendan Kelly; Secretary J. Cantey Heath Jr.; General Counsel Walter "Terry" H. Parham; Chief Operating Officer Edward L. Walton; Interim Provost-Elect and School of Music Dean Tayloe Harding; Vice President for Student Affairs Dennis A. Pruitt; Chief Advancement Officer and Senior Advisor to the President Paula Harper Bethea; Vice President for Human Resources Caroline Agardy; Vice President for Information Technology Doug Foster; Interim Chief Communications Officer-Elect Sally McKay; Director of Public Relations Jeff Stensland; Chief Audit Executive Pam Doran; Palmetto College Chancellor Susan Elkins; USC Aiken Chancellor Sandra Jordan; USC Beaufort Chancellor Al Panu; University Treasurer Pat Lardner; University Budget Director Joe Sobieralski; Associate Vice President for Administration and Finance and Medical Business Affairs Jeffrey L. Perkins III; Associate Vice President for Finance Kelly Epting; Senior Associate Vice President for Student Affairs and Academic Support Stacey Bradley; Executive Director for the Office of Economic Engagement William D. "Bill" Kirkland;

Chief Financial Officer, Athletics Department, Jeff Tallant; Chief Diversity Officer and Senior Associate Provost for Inclusion, Office of Diversity and Inclusion, John H. Dozier; Vice Provost and Director of Global Carolina Allen Miller; Associate Provost for Academic Programs Tena B. Crews; Director of Capital Budgets and Financing Charlie FitzSimons; My Carolina Alumni Association Chief Executive Officer Wes Hickman; Director of State Government and Community Relations Derrick Meggie; Director of Public Affairs and Advocacy Craig H. Parks; Executive Director for Strategic Initiatives Jack Claypoole; Office of Equal Opportunity Programs Director Clifford Scott; Director of Facilities Planning and Programming and University Architect Derek S. Gruner; Assistant to the President for System Affairs Eddie King; College of Pharmacy Dean Stephen Cutler; USC First Lady Patricia Moore-Pastides; USC Aiken Vice Chancellor for Finance and Administration Cam Reagin; Haynsworth Sinkler Boyd shareholder John McArthur; University Bond Counsel Margaret C. Pope and Gary T. Pope Jr. of Pope Flynn Group; Christopher Muelbert and Brian Frankel of Barclays; PFM Financial Advisors LLC Director Steven Hass; Elliott Davis shareholder Brian D'Amico; The Boudreaux Group President Heather Mitchell; Patrick Kiser with Oracle Corporation; S.C. Commission on Higher Education Program Manager Georges Tippens; Trustee Emeritus William E. Whitney Jr.; University Technology Services Production Manager Matt Warthen; and Board staff members Debra Allen and Terri Saxon.

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. Secretary Heath confirmed those Trustees who had joined the meeting by telephone.

Ms. McKay introduced members of the media present: Mr. Lucas Daprile with *The State* newspaper in Columbia and Mr. T. Michael Boddie with *The Post and Courier* newspaper in Charleston.

II. Contracts

Chairman von Lehe called on Mr. Parham for presentation of contracts.

A. Hamad Bin Khalife University, Qatar, Collaboration Agreement

Mr. Parham said the Provost's Office sought approval of an Academic Collaboration Agreement with Hamad Bin Khalifa University (HBKU) in Qatar to establish a joint degree program under which HBKU students will have the opportunity to earn a joint Master's in Sport and Entertainment Management degree or a joint Master's in Exercise Science degree from HBKU and USC.

Students seeking the joint degrees must be admitted to both HBKU and USC graduate schools according to each institution's admissions requirements. Both are two-year programs. During the first academic year, students will take all courses in Doha (capital of Qatar).

During the second academic year, students may either complete the degree requirements at USC or a combination of both USC and HBKU, but students must register for at least one-third of the degree credits at USC to obtain the joint degree.

Regardless of the location of the course offerings, USC will provide the academic content for the courses, will be responsible for academic assessment, and will provide the faculty or approve the faculty being hired to teach the classes.

During the five-year term of the agreement, HBKU will pay USC the sum of \$3,200,000 for four cohorts of 10 students each, regardless of how many of these students complete the joint degree program. If additional HBKU students are accepted into the program, HBKU will pay additional tuition to USC. HBKU students who come to USC also will be responsible for housing, meals, books and other fees. If any USC faculty go to Qatar to teach courses, HBKU will pay all associated costs including faculty salaries, accommodations, and travel expenses.

Chairman von Lehe called for a motion and second to recommend approval by the full Board of the academic collaboration agreement with Hamad Bin Khalifa University in Qatar. Mr. Mobley so moved. Mr. Loadholt seconded the motion. The vote was taken, and the motion was approved.

B. Springer Nature License Agreement

Mr. Parham said University Libraries sought approval of an agreement with Springer Nature Customer Service Center, LLC, under which the library will acquire access to electronic journals and databases.

The agreement covers a three-year period – 2019 through 2021 – and provides University Libraries will pay a total sum of \$2,509,214 for online access to these journals and databases during that period.

Chairman von Lehe called for a motion and second to recommend approval by the full Board of the agreement with Springer Nature Customer Service Center, LLC. Dr. Floyd so moved. Mr. Warr seconded the motion. The vote was taken, and the motion was approved.

C. Prisma Health-Upstate and USC College of Pharmacy Memorandum of Understanding (MOU)

Mr. Parham said the College of Pharmacy sought approval to renew its existing agreement with Prisma Health-Upstate, formerly Greenville Health System (GHS), under which Prisma

will continue to provide clinical pharmacy training opportunities to the University's PharmD students in Greenville.

Prisma – formerly GHS – has provided this service for USC Pharmacy students for many years pursuant to agreements approved by the Board, most recently in April 2016 when the Board approved a three-year agreement that will expire December 31, 2019. The new five-year agreement begins January 1, 2020 and runs through December 31, 2024.

The terms of the new agreement are basically the same as previously approved by the Board. In exchange for Prisma providing clinical pharmacy training opportunities, the College of Pharmacy will:

- provide faculty appointments without tenure to qualified Prisma clinical pharmacists, subject to applicable approvals
- provide administrative appointments to (1) the Prisma Director of Pharmacy Services, who will serve as the College of Pharmacy Clinical Assistant or Associate Dean, and (2) to the Prisma Pharmacy Education Coordinator, who will serve as an Affiliate Assistant or Associate Professor
- reimburse Prisma for all expenses related to providing the clinical training to USC students.

Those costs and expenses are anticipated to total \$740,630.70 during the five-year term. Included in this amount is \$200 per unused Advanced Pharmacy Practice Experience (APPE) – that is, clinical experience opportunities not utilized by USC pharmacy students. This will ensure that Prisma does not offer these clinical experiences to other colleges of pharmacy and will allow USC's College of Pharmacy to increase the number of students going to Prisma for clinical experiences in the future.

Chairman von Lehe called for a motion and second to approve the MOU between the College of Pharmacy and Prisma Health-Upstate. Mr. Loadholt so moved. Mr. Warr seconded the motion. The vote was taken, and the motion was approved. President Pastides confirmed for Dr. Floyd that clinical opportunities for pharmacy students were limited, as USC competed with other programs for the opportunities in North Carolina and South Carolina.

#### D. Campus Labs, Inc. License Agreement

Mr. Parham said USC Upstate sought approval of a software license agreement with Campus Labs, Inc. The software will provide USC Upstate with a multi-functional data management system that will assist the campus with several initiatives.

First, it will be used to prepare the campus for reaccreditation by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) in the spring of 2022 by providing standardization of accreditation data collection and report building.

Second, it will assist the campus with strategic planning by providing a comprehensive data collection and assessment management system, and a program review capability that will document campus progress on identified strategic planning goals.

Third, there is an e-portfolio component that will assist with the assessment of student competencies based on student work products and allow faculty to better demonstrate that they meet criteria for tenure and promotion.

The five-year term of the license ends April 4, 2024. The total cost of the license is \$505,957.

Chairman von Lehe called for a motion and second to approve USC Upstate's license agreement with Campus Labs, Inc. Dr. Floyd so moved. Mr. Mobley seconded the motion. The vote was taken, and the motion was approved.

E. StarRez, Inc. License and Services Agreement

Mr. Parham said University Housing sought approval of a software license and service agreement with StarRez, Inc.

Under the agreement, StarRez will provide software and support for a turnkey, fully operational, web-based housing assignment and conference management system. The system will improve the efficiency of University Housing's operation and will be used to manage aspects of student housing operations including processing housing applications; allowing students to attach supporting documentation to housing applications for University Living and Learning Communities; allowing students to insert self-selected criteria for room choice and assignment, including the ability for students to search for and identify potential roommates; providing notification to students of their housing and room assignments; waiting list management and roommate selection. There are communication aspects to the software and it also maintains an ongoing, real-time inventory of both meeting spaces and residence hall rooms available on campus.

Total cost of the five-year agreement is \$452,360.

Chairman von Lehe called for a motion and second to approve the license and service agreement with StarRez, Inc. Mr. Mobley so moved. Mr. Loadholt seconded the motion. The vote was taken, and the motion was approved.

F. EAB Membership Agreement

Mr. Parham said the Division of Student Affairs sought approval of an extension and amendment to its current agreement with Education Advisory Board (EAB), a best practices firm that provides research, technology and consulting services to more than 1,400 schools, colleges and universities.

In 2013, the Board approved an agreement with EAB under which Student Affairs gained access to the EAB Student Success Collaborative Management System which focuses on the issues of student retention and timely graduation. The system provides:

- a system for advisors and student success staff across the University to have access to student academic progress information and to coordinate outreach and interventions
- a predictive risk model unique to USC that identifies students at-risk of not completing a semester at the University
- a system for faculty to identify students not attending class or who are not performing well on an early assignment/test that creates a referral to the Student Success Center for an intervention and appropriate resources
- success markers for each major, based on key courses and performance levels in those courses that are predictive of graduation in the major.

The new agreement with EAB adds a new component, Milestone Guidance. The Milestone Guidance module focuses on two features. First, it will provide a first-year retention survey administered to all freshman students with key questions predictive of retention to the second year. Second, beginning in Fall 2020, EAB will integrate the first-year retention survey into its software and provide a mobile app. This will enable Student Affairs to push out resources through the app to students based on their responses to survey questions.

The three-year term of the new agreement begins June 30, 2019, and ends June 29, 2022, at a total cost of \$285,212.

Chairman von Lehe called for a motion and second to approve the EAB membership agreement. Mr. Loadholt so moved. Mr. Mobley seconded the motion.

Responding to a question from Trustee Spearman, Dr. Pruitt said the system was working so well there was an “unheard of” 4.5% increase in graduation. More importantly, he said, it helped individual students across the board to succeed and advance to their sophomore, junior and senior years while taking advantage of the services available to them to help ease their journey. He further described it as a model program. Dr. Valtorta added that the program has helped improve advisement. Dr. Pruitt said the software is made available on a campus by campus basis and would require separate contracts for campuses outside of Columbia.

The vote was taken, and the motion was approved.

G. University 101 Conference Site Agreement

Mr. Parham said the National Resource Center for the First-Year Experience and Students in Transition sought approval of a hotel event contract with the Hyatt Regency in Seattle, Washington. The hotel will be the site of the 44<sup>th</sup> Annual National Conference on the First-Year Experience on February 15-22, 2024.

Such standard hotel event contracts have been presented annually for the past several years. Upon approval, the Hyatt Regency Hotel will hold the rooms described in the contract (3,708 room nights) and individuals attending the event will pay for the rooms directly.

The center guarantees at least 80% of the reserved rooms will be used. The center has never had an event at which the minimum number of rooms was not utilized. The center also guarantees it will spend at least \$275,000 in food and beverage charges during the event. The center will pay these expenses from the conference fees paid by individuals registering for the event.

As in any hotel contract, there are cancellation provisions. If the center cancels the conference, there are cancellation fees described in the contract. The center has never cancelled a conference.

The center estimates between 1,800 and 2,100 people will register for the conference. Registrations will be \$545 to \$695, depending on the time of registration.

Chairman von Lehe called for a motion and second to approve the hotel event contract with Hyatt Regency in Seattle, Washington, for the 44<sup>th</sup> Annual National Conference on the First-Year Experience. Dr. Floyd so moved. Mr. Warr seconded the motion. The vote was taken, and the motion was approved.

H. LECO Corp. Use Agreement

Mr. Parham said the College of Arts and Sciences' Department of Chemistry and Biochemistry sought approval to accept, as a gift, the use of a mass spectrometer from LECO Corporation for a one-year period. LECO estimates the value of the gift at \$256,000.

Chairman von Lehe called for a motion and second to approve, as a gift, the use of a mass spectrometer from LECO Corp. Mr. Warr so moved. Dr. Floyd seconded the motion. The vote was taken, and the motion was approved.

I. Gideon Taylor Consulting, LLC Services Agreement

Mr. Parham said the Department of Information Technology sought approval of two project change requests with Gideon Taylor.

In 2017 and 2018, the Board approved agreements with Gideon Taylor under which the company would provide eForm development, testing, migration and implementation support for the HR/Payroll

system module that the University is implementing. As mentioned when this project was discussed in the past, the HR/Payroll module is complicated because it replaces approximately 80% of the paper forms HR/Payroll currently uses.

These new amendments will continue Gideon Taylor's work through the end of 2019. The value of these agreements is \$104,980. In addition to continuing development of these eForms, the change requests deal specifically with training of University's information technology employees so they can take over the responsibility for the backend support of HR/Payroll eForms. Therefore, the reliance on Gideon Taylor and its associated cost will decrease going forward.

Chairman von Lehe called for a motion and second to approve the two project change requests with Gideon Taylor. Mr. Loadholt so moved. Mr. Warr seconded the motion. The vote was taken, and the motion was approved.

J. Gift Agreements

1. Karen and Russ Lloyd

Mr. Parham said in the Buildings and Grounds Committee meeting earlier in the day, Paula Harper Bethea presented a number of gift agreements and gift naming agreements. Two of those agreements involve gifts of more than \$250,000 and must receive additional Board approval.

The first is an agreement to name the Karen and Russ Lloyd Family Courtyard at the northwest corner of the Springs Brooks Plaza for the sum of \$1,500,000.

Chairman von Lehe called for a motion and second to recommend the full Board accept the \$1.5 million gift naming, the Karen and Russ Lloyd Family Courtyard, at the northwest corner of the Springs Brooks Plaza. Dr. Floyd so moved. Mr. Mobley seconded the motion. The vote was taken, and the motion was approved.

2. W. Michael Bond

Mr. Parham said the second gift agreement is to name the Ruth C. and William H. Bond Pre-Function and Reception Space on the first level of the Pastides Alumni Center for the sum of \$500,000.

Chairman von Lehe called for a motion and second to accept the \$500,000 gift naming, the Ruth C. and William H. Bond Pre-Function and Reception Space, on the first level of the Pastides Alumni Center. Mr. Mobley so moved. Mr. Loadholt seconded the motion. The vote was taken, and the motion was approved.

Trustee Williams asked the status of the bronze Gamecock, which was to go on the plaza at Williams-Brice Stadium. Mr. Parham deferred to Mr. Gruner, who said the sculpture was scheduled to ship from San Diego on July 13, with an estimated arrival date of July 20. Installation will take three to four weeks, he said, and should be completed by the first football game.

President Pastides asked Mr. Gruner for an update on the A'ja Wilson project. Mr. Gruner said the project had been advertised and a female sculptor had been selected who has experience sculpting basketball players. The next step is to obtain the approval of the University's Design and Review Committee before being presented to the Board of Trustees in September 2019.

Chairman von Lehe thanked Mr. Gruner and proceeded to the next agenda item.

III. University Risk Assessment and Audit Plan FY 2019-2020

Chairman von Lehe said Audit & Advisory Services had provided the Executive and Governance Committee a copy of its annual audit plan for review and approval. The plan was approved by the Audit and Compliance Committee on June 7 – a meeting at which members of the Executive and Governance Committee were in attendance and heard Ms. Doran's presentation of the plan.

Therefore, he called for a motion and second to approve the University Risk Assessment and Audit Plan for FY20 as required by Board Policy 1.06. Mr. Mobley so moved. Mr. Loadholt seconded the motion. The vote was taken, and the motion was approved.

IV. Higher Education Revenue Bonds Resolution

Chairman von Lehe said this resolution was thoroughly discussed during the preceding called meeting of the Buildings and Grounds Committee at which everyone was in attendance. Therefore, he called for a motion and second to recommend approval by the full Board of a Higher Education Revenue Bond Series Resolution authorizing up to an aggregate principal amount of \$240 million for the purpose of obtaining financing for the Campus Village Residential Development on the Columbia Campus in accordance with the terms and conditions thereof. The authorized amount will provide funding for the project and the amount necessary for issuance costs associated with the bonds. The intent is to service these bonds with housing revenues.

Mr. Mobley so moved. Mr. Warr seconded the motion. The vote was taken, and the motion was approved.

V. University's FY 2019-2020 Annual Operating Budget

Chairman von Lehe called on Mr. Walton who noted the proposed budget information had been available on the Board Portal for several weeks, with changes and updates made during that time. For the first time, he noted the budget would be presented in the old and new formats.

Mr. Walton offered highlights of the proposed budget, beginning with the fact that for the first time, the University's budget exceeded \$1.7 billion.

The University "had a great year in conversation and financially at the State House," he said, adding it was new leadership that produced new money and the required low tuition benefited everyone.

The budget proposal will provide flexibility to the Board of Trustees during a period of leadership transition, he said; which will enable the Interim President to assess operations and make strategic funding recommendations to the Board of Trustees. "After 11 years, you have an Interim President and an active search committee, so we are recommending that big decisions be delayed and the money be sequestered for those decisions."

Mr. Walton noted the proposed budget "recognizes the opportunity for the institution to find operational efficiencies following a period of historic growth" that increased revenue. He also said the proposed budget creates a basis to allow Trustees and the next administration to make real and impactful change for the future of the University.

Finally, he said, Trustees would have the opportunity to start working and seeing the University in a different shape as the new budget model provided the ability to see academic and administrative units as stand-alone businesses.

Mr. Walton next summarized current total system funds for Fiscal Year 2019-2020, illustrating 50.1% of the \$1,707,424,690 in total revenues came from tuition and fees, while state appropriations comprised 11.6% and the remainder was derived from grants, contracts and gifts, as well as sales, services, and auxiliary enterprises.

In response to a question from Trustee Allen, Mr. Walton said 2006 was the first time tuition revenues exceeded state appropriations. "This is a great example of how funding for higher education has changed over the past 15 years. In South Carolina, it changed from 2000 with the implementation of the education lottery until now. Here and in other states, there has been a flip from tax-payer support to individual support," he said.

As for system expenditures during Fiscal Year 2019-2020, instruction accounts for 29.0%, scholarships and fellowships 19.3%, academic support 6.8%, student services 6.6%, while research and

public service expenditures are estimated at 9.9% and 3.5%, respectively. Auxiliary enterprises account for 10.8% of expenditures, with operation and maintenance of the plant at 6.6% and institutional support at 6.2%.

Mr. Walton next addressed recommended increases in Fiscal Year 2019-2020 state appropriations. \$12.9 million in new funding from the General Assembly is proposed for in-state tuition mitigation and is not tagged for any specific use if tuition is kept low, which means a 1% or less increase for state residents. There also is an appropriation of 1.9% directed to the School of Law, which will allow a decrease in law school tuition by more than \$2,500 per semester.

Parity funding for USC Beaufort of \$819,000 in recurring funds will start to bring funding for the campus closer to what similar four-years institutions are receiving, he said.

The state will provide \$4,630,000 toward the cost of a proposed 2% cost of living increase for state employees earning less than \$100,000. Also proposed is funding of \$2,000,000 for the Rural Health Initiative at the School of Medicine, which will be sequestered. Finally, recurring funding of \$1,125,000 is proposed for the Child Advocacy Medical Response, which is a statewide initiative managed by the School of Medicine.

In addition to the total recurring funding of \$23,390,000, there is an additional \$1,728,000 in non-recurring funding proposed to offset a portion of the cost of a one-time bonus of \$600 for employees earning less than \$70,000. Trustee Warr asked how many employees make less than \$70,000. After verifying the information, Ms. Agardy reported 3,997 or 62.68% of University employees.

In the category of new capital appropriations, the state budget proposed \$36,864,000 in non-recurring funding, of which \$15 million was for the School of Medicine relocation, with \$21,864,000 proposed for projects on the University campuses in Aiken, Beaufort, Spartanburg, Allendale, Lancaster, Sumter and Union. Mr. Walton emphasized the significance of the state's \$15 million appropriation for the School of Medicine as an endorsement of the importance of the University's plan to move the School of Medicine.

Recapping the state budget proposal, he emphasized the following points:

- pay plan of 2% for state employees earning less than \$100,000
- \$600 one-time bonus for employees earning less than \$70,000
- 1% (100 basis-points) retirement increase – the third year of a five-year requirement
- no health insurance increase (deductibles/copay/prescription changes will remain unknown until perhaps October)

- federal and other funds increases (technical adjustments) received, which means the state has authorized expenditure of these funds; authorization includes increase of 75 full-time employees if needed
- lottery technology funding included at prior year levels (for non-research institutions)

Before discussing proposed tuition changes, Mr. Walton summarized the growth of tuition and required fee levels since 2011. He particularly noted tuition increases had dropped from nearly 7% in 2011 to averages closer to 3% over subsequent years. While 2019 was historically low at 2.9%, the proposed 2020 increase is 0.6% for South Carolina residents. He then presented the following charts illustrating the administration’s Fiscal Year 2019-2020 proposed tuition and room and board increases across the system:

FY20 Proposed Tuition Changes – USC System						
System Institution	Resident % Change	Resident \$ Change	Resident Proposed FY20	Non-Resident % Change	Non-Resident \$ Change	Non-Resident Proposed FY20
USC Columbia						
Undergraduate	0.6%	\$36	\$6,344	1.9%	\$315	\$16,964
Graduate	0.6%	\$41	\$7,067	1.9%	\$282	\$15,080
Pharmacy	0.6%	\$162	\$27,840	1.9%	\$779	\$42,048
Law	(19.6%)	(\$2,568)	\$10,736	1.9%	\$489	\$26,240
Medicine-Columbia	1.9%	\$402	\$21,744	0.0%	\$0	\$43,875
Medicine-Greenville	1.9%	\$402	\$21,744	0.0%	\$0	\$43,875
USC Aiken	0.0%	\$0	\$5,355	0.0%	\$0	\$10,584
USC Beaufort	0.0%	\$0	\$5,340	0.0%	\$0	\$10,863
USC Upstate	0.0%	\$0	\$5,744	0.0%	\$0	\$11,495
Regional Palmetto Colleges	0.0%	\$0	\$3,779	0.0%	\$0	\$9,119
Palmetto College Online	0.0%	\$0	\$5,355	0.0%	\$0	\$10,584

FY20 Proposed Room and Board Changes – USC System						
System Institution	Housing % Change	Housing \$ Change	Housing Proposed FY20	Meal Plan % Change	Meal Plan \$ Change	Meal Plan Proposed FY20
USC Columbia	2.5%	\$85	\$3,350 (avg.)	2.9%	\$56	\$1,985 (p/semester)
USC Aiken	2.5%	\$63	\$2,596	2.0%	\$27	\$1,377
USC Beaufort	2.2%	\$60	\$2,740	2.5%	\$35	\$1,435
USC Upstate	4.0%	\$102	\$2,657	0.0%	\$0	\$1,642

Mr. Walton noted the decrease in the School of Law tuition was a legislative mandate covered by a specific state appropriation. He said the School of Medicine wanted to avoid increasing non-resident tuition since it already was the nation’s highest. As for room and board changes, while the University must provide pay raises and retirement increases for state employees in Housing, Food Services and Athletics, there is no taxpayer support for these expenses. Meal plan contracts allow for price increases up to an amount equal to the change in the consumer price index for the southeast region of the U.S., which is 2.9% this year.

Next, Mr. Walton addressed funding for strategic initiatives on the Columbia campus. In 2017, overhead costs were cut by 3% to generate \$17 million to develop funding for strategic initiatives. These funds were sequestered into an Excellence Fund, which is available now for University Excellence Initiatives. Similarly, after 11 years of operating and expanding the University, it is possible to identify other ways of implementing efficiencies. Thus, he said, the administration proposed using the same technique to

create a Strategic Efficiency Initiative, which would generate \$10 million for a fund to be available for use by the new administration with the Board's approval. Such a fund would help the new president guide the University in the direction it needs to go by reducing administrative costs. Mr. Walton said, that similar to the previous initiative, some exclusions will apply such as scholarships and law enforcement.

In response to a question from Trustee Smith, Mr. Walton said the proposal was for the 3% to be fixed, but it could be developed as a floating percentage if the Board wanted to do it in that fashion.

By adding the Strategic Efficiency Initiative of \$10 million to \$19,543,000 in new state appropriations, as well as tuition and enrollment increases, \$29,543,000 in new money would be available for allocation.

Normally, the president meets in the spring with the vice presidents following meetings with the deans to identify needs. Meetings which Mr. Walton said would typically identify about \$120 million in needs for the \$29 million in new money. In a period of transition, the process needs to change so the recommendation is to hold the new money until a new president or interim president is in place before determining how best to proceed. Thus \$29.5 million would be available for the new president to direct toward the University's initiatives after listening to the deans and to Trustees.

In response to a request from Trustee Fennell to consider earmarking a portion of the initiative funding to the new health sciences campus, Mr. Walton and President Pastides responded that was a decision for Mr. Fennell and other Trustees to voice as priorities are established with the new president.

In response to a question from Faculty Senate Chair Valtorta, Mr. Walton said the initiative funding he referenced was in addition to that which already had been committed.

Mr. Walton noted information summarizing current fund sources and uses by campus had been provided Trustees. Unless there were specific questions, he would proceed to discuss bond indebtedness and debt service for Fiscal Year 2019-2020.

He said debt-related activity in the coming year would include funding for the Williams-Brice Stadium Renovations, as well as funding for the Campus Village Project pending Board approval of the project. Depending on market conditions, he said certain Athletic Revenue bonds also may be refunded.

All current debt service obligations are fully serviced by designated revenue streams, he said. The total bond indebtedness for the University system is \$560,670,000. Debt service payments will total \$54,022,654 including principal and interest during Fiscal Year 2019-2020.

In discussing the Fiscal Year 2019-2020 budget development, Mr. Walton said information had been available to Trustees for several weeks in two formats – the legacy model and the new budget model.

The legacy model formatting was simplified with redundant information removed compared to previous years. The new model highlights relationships between the old and new models. It also contains schedules to show major calculations and allocations, and acts as a baseline, he said.

Offering an overview of the new budget model, he said it focused on all funds and offered a way to provide more information on a unit basis. It is designed to enable discussions of incentives for growth, entrepreneurial activity and cost control. As it develops, he said the new model provides an opportunity for deans to have more impact on strategic decisions. It also is a possible tool in working toward ongoing goals of institutional efficiency and sustainability.

Mr. Walton cautioned that the new budget model is not a cure all; it is more information and will not create new money on its own. It is not turnkey – and would not go into full effect “at a flip of a switch.” As to the structure of the new budget model, he said the first 14 pages of the draft new budget model document available on the Board Portal act as an executive summary. He noted the following structure details:

- pages 3-6 provide background about the redesign efforts
- pages 7-9 give detail on structure and revenue allocation metrics, as well as highlights location of activity on financial statements
- pages 11-12 highlight which units are net contributors and net consumers of funding (i.e. contribution margins)
- pages 13-14 provide a summary of information by major components of the draft budget model (academic units, auxiliary units, support units, etc.)
- pages 15-68 provide detail by unit highlighting the relationship between the legacy budget and draft new budget model in a “hold harmless” scenario
- notes on page 69 reinforce model structure and appendices on pages 70-148 detail major calculations.

In summation, Mr. Walton said the \$23.390 million in new recurring appropriations allows for historically low tuition increases of 0.6% for residents and 1.9% for non-residents in Columbia and 0.0% increase at system institutions. He also noted the following before taking questions:

- The proposed Fiscal Year 2019-2020 provides budgetary flexibility to the Board of Trustees during a period of leadership transition by temporarily holding on making permanent allocations.

- A delay in funding decisions allows Trustees, the Interim President and the administration to assess strategic direction and deploy funds to make the most significant impact.
- Implementation of the proposed strategic initiative will create efficiencies.
- An “outside of the box” approach will not be easy, but provides Trustees and the next administration the opportunity to make real and impactful change for the future of the University.
- Budget model redesign efforts will provide additional information; increased support is required and difficult decisions will need to be made to be viable in the long-term.

Chairman von Lehe commented on the detail provided by the new budget model as to which units are net contributors and net consumers of funding, noting this was a “great tool for Trustees to understand where our money is going.”

Chairman von Lehe asked Brian D’Amico of Elliott Davis, the firm assisting in the development of the new budget model, if he had any comments.

Mr. D’Amico said it had taken a long time and a lot of work to reach this exciting point in time when Trustees had the new budget model in place to assist them in guiding the University. Elliott Davis will continue to be available to assist in implementing the new budget model across the University, he said.

President Pastides said he “heartily endorsed” the budget, which he described as conservative and prudent and sensitive to the needs of the state and the University’s students. He especially noted the historically low tuition increase for the Columbia campus and the effort to improve efficiency to capture \$10 million for use by the next administration and the Board of Trustees.

Trustee Smith thanked everyone for their work on the new budget model and said that no one was under the delusion the new model would generate new money or would be a turnkey job. For the first time in the nine years he has served on the Board, Dr. Smith said, information was being provided in a standard accounting form for Trustees to interpret and be able to have a detailed analysis. He concluded, “I look forward to this progressing and moving forward.”

Trustee Burroughs said the new budget model was great, having been a “long time in coming.” He recognized everyone’s hard work and said, “I hope now we can focus on the units and see what is going on. The deans will be able to have more input, giving financial reports and being more involved in talking to the Trustees about the budget. It will be helpful for Trustees to understand more about what is going on from their perspective.”

Being a customer who paid eight years of out-of-state tuition for two children, Trustee Dozier expressed appreciation of the tuition levels. He then asked Mr. Walton to address debt issuance and how the University could be opportunistic in the rate environment.

In refinancing, Mr. Walton said the University seeks to determine what the rates might be – but nothing can be done for a 10-year period. Once the 10-year period is reached, the staff studies the rates and often refinances on that anniversary. With the Campus Village Project, he said, tiered issuances will be considered to obtain different average rates. Short-term borrowing also will be considered to decrease capitalized interest. Anything that swings four basis points means the University will make changes, he said.

Chairman von Lehe called for a motion and second to recommend approval by the full Board of the University's Fiscal Year 2019-2020 Annual Operating Budget. Dr. Floyd so moved. Mr. Warr seconded the motion. The vote was taken, and the motion was approved. In conclusion, Chairman von Lehe said Mr. Walton definitely had improved the Trustees' understanding about the budget this time.

VI. Election of Trustee to the University Development Foundation Board of Directors

Chairman von Lehe said the Board needed to elect a representative to serve on the University Development Foundation's Board of Directors. To fill this four-year term, as stipulated by Board policy, the Executive and Governance Committee votes on a Trustee to recommend to the full Board for approval. The Trustee elected will be eligible to be reappointed for one additional four-year term for a total term of service of eight years. All Board members are eligible for consideration but are unable to serve on two foundation boards at the same time, he said, calling for nominations.

Mr. Loadholt nominated Dan Adams and Dr. Floyd seconded the motion. There being no other nominees, Chairman von Lehe called for the vote and the motion was approved to submit Trustee Adams' name to the full Board for consideration.

VII. Adjournment

With no other matters to come before the committee, Chairman von Lehe declared the meeting adjourned at 12:20 p.m.

Respectfully submitted,

J. Cantey Heath, Jr.  
Secretary