University of South Carolina
BOARD OF TRUSTEES

Executive Committee

June 17, 2013

The Executive Committee of the University of South Carolina Board of Trustees met on Monday, June 17, 2013, at 10:20 a.m. in the Board Room at 1600 Hampton Street.

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

Other Trustees present were: Mr. Chuck Allen; Mr. Robert "Eddie" Brown; Mr. J. Egerton Burroughs; Mr. Mark W. Buyck, Jr.; Mr. Thomas C. Cofield; Mr. A.C. "Bubba" Fennell; Mr. William W. Jones, Jr.; Mr. Hubert F. Mobley; Ms. Leah B. Moody; Dr. C. Dorn Smith, III; Mr. Thad H. Westbrook; Mr. Mack I. Whittle, Jr.; Mr. Charles H. Williams; and Dr. Mitchell M. Zais.

Also present were faculty representative Dr. Sandra J. Kelly and student representative Chase Mizzell.

Others present were: President Harris Pastides; Secretary Amy E. Stone; Vice President for Academic Affairs and Provost Michael D. Amiridis; General Counsel Walter "Terry" H. Parham; Chief Financial Officer Edward L. Walton; Vice President for Student Affairs and Vice Provost for Academic Support Dennis A. Pruitt; Vice President for Information Technology and Chief Information Officer William F. Hogue; Vice President for Human Resources Chris Byrd; Interim Vice President for Development and Alumni Relations Susan Lee; Interim Vice President for Communications Wes Hickman; Athletics Director Ray Tanner; Chancellor of USC Aiken Sandra J. Jordan; Chancellor of USC Beaufort Jane Upshaw; Palmetto College Chancellor Susan A. Elkins; USC Upstate Chancellor Tom Moore; Associate Vice President for Business and Finance Leslie Brunelli; Associate Vice President for Business and Finance and Medical Business Affairs Jeffrey L. Perkins; Vice Provost and Dean of Undergraduate Studies Helen I. Doerpinghaus; Dean of the South Carolina College of Pharmacy, USC Campus, Randall C. Rowen; Dean of USC Union Alice Taylor-Colbert; Associate Vice President for Administration, Division of Student Affairs and Academic Support, Stacey Bradley; Internal Audit Director Phil Iapalucci; Executive Associate Athletics Director Kevin O'Connell; Associate Athletics

Director and Senior Women's Administrator Judy Van Horn; Chief Financial Officer, Department of Athletics, Jeff Tallant; Executive Dean, College of Arts and Sciences, Roger H. Sawyer; Director of Academic Programs, Office of the Provost, Kristia H. Finnigan; Director of Capital Budgets and Financing, Division of Finance and Planning, Charlie Fitzsimons; Director of State Relations Trey Walker, III; Assistant Athletics Director, Ticket Operations, Lance Grantham; University Budget Director Harry Bell; Executive Assistant to the President for Equal Opportunity Programs Bobby Gist; Special Assistant to the President J. Cantey Heath Jr.; Associate Dean for Academic Affairs, Faculty Athletics Representative, and Professor in the Department of Educational Leadership and Policies, College of Education, Zach Kelehear; Chairman, Board of Directors, Gamecock Club Mr. Chip Comer; Student Government Association Vice President Ryan Bailey; University Technology Services Production Manager Matt Warthen; Board staff members Debra Allen and Terri Saxon; and members of the media.

Chairman Warr called the meeting to order and stated that notice of the meeting had been posted and the press notified as required by the Freedom of Information Act; the agenda and supporting materials had been circulated; and a quorum was present to conduct business. Mr. Hickman introduced members of the media in attendance: Josh Kendall with *The State*; Amanda Coyne with *The State* and *The Daily Gamecock*; Scott Hood with *Gamecock Central;* Drew Brooks with *The Spartanburg Herald-Journal*; and Jody Barr with WIS-TV.

I. Contracts

A. Athletics Employment Contracts

1. Curtis Frye, Head Men's and Women's Track and Field Coach

Chairman Warr called on Mr. Parham for presentation of three Athletics employment contracts. The first was a new four-year employment agreement for Head Men's and Women's Track and Field Coach Curtis Frye with a base salary of $191,400. The agreement, which ends June 30, 2017, includes $50,000 in personal services compensation to be paid directly by outside rights holders but guaranteed by the Athletics Department. Mr. Parham said that Coach Frye's incentive-based supplemental compensation options include:

- The Coach may earn and receive only one of the following incentives in a contract year: (Note: For purposes of earning incentives in this category, the men's track team (consisting of indoor and outdoor, collectively) and the women's track team (consisting of cross country, indoor and outdoor, collectively) are considered collectively as one team. For example, if both the men's and women's track teams win the National Team Championship, Coach will earn an incentive equal to 35% of his base pay.)

  SEC East Division Team Championship: 10% of base salary

SEC Tournament Championship:	25% of base salary
Team invited to NCAA Championship (Minimum of four Student-Athletes):	4% of base salary
NCAA Team Championship:	35% of base salary
Team Finish (Ranking) at NCAA Championship:	
Top 5:	20% of base salary
Top 6 – 10:	15% of base salary
Top 11 – 15:	10% of base salary
Top 16 – 25:	8% of base salary

- The Coach may earn and receive each of the following incentives in a contract year: (Note: For purposes of earning incentives in this category, the men's track team (consisting of indoor and outdoor, collectively) and the women's track team (consisting of cross country, indoor and outdoor, collectively) are considered as separate teams. For example, if both the men's and women's track teams have a team year GPA of 3.5 or higher, Coach will earn an incentive equal to 2% of his base salary.)

National Coach of the Year (as selected by the U.S. Track & Field and Cross Country Coaches Association):	5% of base salary
SEC Coach of the Year (as selected by the SEC Track Coaches):	2% of base salary
Relays & Individual Champions:	2% of base salary per NCAA Champion (up to a maximum of $7,000 in a Contract Year)
Team Year GPA of 3.5 or higher and/or 0.2 or more higher than average Team Year GPA for two preceding academic years (fall and spring semesters only):	1% of base salary
Multi-Year APR 950 – 979:	1% of base salary
Multi-Year APR 980 or above:	2% of base salary

Coach Frye also will have use of two automobiles and the Athletics Department will pay the annual premium(s) to provide Coach Frye life insurance benefits totaling $750,000.

If the University terminates Coach Frye for cause, the University's obligation to pay him shall end on the effective date of termination. If the University terminates Coach Frye without cause, the University will pay his base salary for the remaining term of the contract; provided, however, if Coach Frye gets another job, the University's obligation to pay will be reduced by the amount he earns in his new position. If Coach Frye terminates the contract, he will pay the University:

- $191,400 if he terminates July 1, 2013 – June 30, 2014
- $ 76,560 if he terminates July 1, 2014 – June 30, 2015
- $ 57,420 if he terminates July 1, 2015 – June 30, 2016
- $ 38,280 if he terminates July 1, 2016 – June 30, 2017.

Chairman Warr called for a motion to recommend approval to the full Board of Curtis Frye's 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.

2. Frances "Boo" Major, Head Equestrian Coach

The second Athletics employment agreement, Mr. Parham said, was to provide Head Equestrian Coach Frances "Boo" Major a new four-year employment agreement with a base salary of $93,600 and the use of an automobile. The agreement, which ends May 31, 2017, includes the following incentive-based options:

- Coach may earn and receive only one of the following incentives in a contract year:

SEC Overall Team Championship:	5% of base salary
Overall Team invited to National Varsity Championship (Minimum of four Student-Athletes):	2% of base salary
Overall National Varsity Team Championship:	15% of base salary
Overall Team Finish (Ranking) at National Varsity Championship:	
Top 5:	5% of base salary
Top 6 – 10:	2% of base salary

- Coach may earn and receive each of the following incentives in a Contract Year:

National Coach of the Year (as selected by the National Collegiate Equestrian Association):	6% of base salary
SEC Coach of the Year (as selected by the SEC Equestrian Coaches):	3% of base salary
Individual Champions (Top Rider in each of four categories as determined by the National Collegiate Equestrian Association):	3% of base salary per National Champion (up to a maximum of $7,000 in a contract year)
Team Year GPA of 3.5 or higher and/or 0.2 or more higher than average Team Year GPA for two preceding academic years (fall and spring semesters only):	1% of base salary
Multi-Year APR 950 – 979:	1% of base salary
Multi-Year APR 980 or above:	2% of base salary

If the University terminates Coach Major for cause, the University's obligation to pay her shall end on the effective date of termination. If the University terminates Coach Major without cause, the University will pay her base salary for the remaining term of the contract; provided, however, if she gets another job, the University's obligation to pay will be reduced by the amount Coach Major earns in her new position. If she terminates the contract, she will pay the University:

- $93,600 if she terminates June 1, 2013 – May 31, 2014
- $37,440 if she terminates June 1, 2014 – May 31, 2015
- $28,080 if she terminates June 1, 2015 – May 31, 2016
- $18,720 if she terminates June 1, 2016 – May 31, 2017.

Chairman Warr called for a motion to approve Boo Major's contract as described in the agenda materials and presented by Mr. Parham. Mr. Lister so moved. Mr. von Lehe seconded the motion. The vote was taken and the motion carried.

3. <u>McGee Moody, Head Men's and Women's Swim and Dive Coach</u>

The third Athletics employment agreement, Mr. Parham said was to provide Head Men's and Women's Swim and Dive Coach McGee Moody a new four-year employment agreement with a base salary of $108,500 and the use of an automobile. The agreement, which ends April 30, 2017, includes the following incentive-based options:

- Coach may earn and receive only one of the following incentives in a contract year: (Note: For purposes of earning incentives in this category, the men's swimming and diving team and the women's swimming and diving team are considered collectively as one team. For example, if both the men's and women's swimming and diving teams win the National Team Championship, Coach will earn an incentive equal to 35% of his base pay.)

SEC East Division Team Championship:	10% of base salary
SEC Tournament Championship:	25% of base salary
Team invited to NCAA Championship	
Minimum of four Student-Athletes:	4% of base salary
6 or more Student-Athletes:	6% of base salary
NCAA Team Championship:	35% of base salary
Team Finish (Ranking) at NCAA Championship:	
Top 5:	20% of base salary
Top 6 – 10:	15% of base salary
Top 11 – 15	10% of base salary
Top 16 – 25	8% of base salary

- Coach may earn and receive each of the following incentives in a contract year: (Note: For purposes of earning incentives in this category, the men's swimming and diving team and the women's swimming and diving team are considered as separate teams. For example, if both the men's and women's swimming and diving teams have a team year GPA of 3.5 or higher, Coach will earn an incentive equal to 2% of his base salary.)

National Coach of the Year (as selected by The College Swimming Coaches Association of America):	5% of base salary
SEC Coach of the Year (as selected by the SEC Swimming and	

Diving Coaches):	2% of base salary
Relays & Individual Champions:	2% of base salary per NCAA Champion (up to a maximum of $7,000 in a contract year)
Team Year GPA of 3.5 or higher and/or 0.2 or more higher than average Team Year GPA for two preceding academic years (fall and spring semesters only):	1% of base salary
Multi-Year APR 950 – 979:	1% of base salary
Multi-Year APR 980 or above:	2% of base salary

If the University terminates Coach Moody for cause, the University's obligation to pay him shall end on the effective date of termination. If the University terminates Coach Moody without cause, the University will pay his base salary for the remaining term of the contract; provided, however, if he gets another job, the University's obligation to pay will be reduced by the amount Coach Moody earns in his new position. If he terminates the contract, he will pay the University:

- $108,500 if he terminates May 1, 2013 – April 30, 2014
- $40,000 if he terminates May 1, 2014 – April 30, 2015
- $30,000 if he terminates May 1, 2015 – April 30, 2016
- $20,000 if he terminates May 1, 2016 – April 30, 2017.

Chairman Warr called for a motion to approve McGee Moody's contract as described in the agenda materials and presented by Mr. Parham. Dr. Floyd so moved. Mr. Hubbard seconded the motion. The vote was taken and the motion carried.

B. IMG Learfield Ticket Solutions

Chairman Warr called on Mr. Parham who said that the Athletics Department was seeking approval to enter into a contract with IMG Learfield Ticket Sales Solutions to maximize season ticket sales to University athletics events, particularly football and men's and women's basketball. In the past, Athletics has used part-time student workers to attempt to increase ticket sales. This contract will test the efficiency and effectiveness of using an outside professional sales team, which is becoming common in college athletics. Mr. Parham noted that professional sales teams are being used by 33 of 60 teams in the PAC-12, Big 10, ACC, SEC, and Big 12.

Athletics solicited and accepted proposals from three companies that specialize in collegiate ticket sales: Get Real Sport Sales in Carmel, IN; The Aspire Group in Atlanta, GA; and IMG Learfield Ticket Solutions in Winston-Salem, NC. The IMG Learfield proposal was deemed by Athletics to be most advantageous, Mr. Parham said.

IMG Learfield currently provides ticket sales service to Auburn, Arkansas, Appalachian State, Colorado, Duke, Penn State, Oklahoma, Tennessee, UNLV and other schools.

Under the contract, Mr. Parham said that IMG Learfield will provide, at its expense, a full-time onsite general manager and onsite account executives who will sell season tickets to all University athletics events. Athletics will provide office space, phone lines and access to information from its ticketing database systems about current and former season-ticket holders and single game ticket buyers, vendors, etc. Athletics also will provide the sales staff with credentialed access to athletics, coaching and development events.

The Athletics Department and the Gamecock Club will continue to be responsible for selling tickets up to the date of the renewal deadline for a sport plus a 30-day grace period thereafter. After that date, IMG Learfield will have the opportunity to sell the tickets. Under the contract, IMG Learfield gets paid in two ways based on the success of its efforts to sell tickets:

- $10,000 if it sells 1500 or more new basketball full-season tickets (men's and women's combined)
    - Men's season basketball tickets are $306. Therefore, 1500 men's season basketball tickets generate $459,000 for Athletics, for which IMG Learfield would earn $10,000
- $17,500 for each $50,000 of net revenue ticket sales up to $1 million, and $20,000 for each $50,000 of net revenue ticket sales above $1 million.

"Net Revenue" means ticket price less sales tax and applicable bond fee ($8 – football; $4 – men's basketball; $1 – women's basketball). "Net Revenue" does not include the cost of the YES Program Donation, Mr. Parham said. For purpose of calculating "net revenue," IMG Learfield will get credit for the sale of tickets in the following categories:

- New season tickets – these are any season tickets sold after the 30-day grace period following the renewal deadline
- Season ticket "Up-Sells" – these are season tickets sold to an individual who IMG Learfield persuades to purchase more tickets than previously purchased or to purchase tickets in a higher premium seating area
    - For example, if a half scholarship donor buys four tickets in the upper deck, where the YES Donation is $50 per ticket, and IMG Learfield convinces that person to instead buy four tickets on the 30-yard line where the YES Donation is $300 per ticket, or to buy six tickets instead of four, IMG Learfield gets credit for the "net revenue" generated from those tickets
- Partial Plan season tickets sold – these are tickets sold in Athletics Department approved three- or four-game partial books
- Group sales (e.g., 50 or more single game tickets) – these are tickets sold at an Athletics Department approved discount in an Athletics Department approved number. For example, Athletics will sell group single game tickets of 50 or more at a reduced price
- Individual tickets sold.

Athletics will pay IMG Learfield monthly upon receipt of an invoice, Mr. Parham said. Athletics, not IMG Learfield, will handle the actual sales transaction and the money. Even if IMG Learfield "sells" the tickets, Mr. Parham emphasized, the purchaser pays Athletics.

The goal is to increase ticket sales, particularly in football and men's and women's basketball, Mr. Parham repeated.

- Last year, Athletics sold 49,000+ season football tickets. 55,000 season tickets is a sell-out

- Athletics hopes, that IMG Learfield will increase football season ticket sales by 2000 or more over last year. At $365 per season ticket, that would generate $730,000 in revenue, not counting the value of the YES Donations for each ticket

- IMG Learfield would earn $262,500.

The term of the proposed contract is one year, beginning July 1, 2013, and ending June 30, 2014. If the results from this test year are successful, Athletics will consider entering into a longer term contract with a vendor. That contract would come back before the Board of Trustees for consideration, Mr. Parham said.

Chairman Warr called for a motion to approve the agreement with IMG Learfield Ticket Solutions as described in the agenda materials and presented by Mr. Parham. Mr. von Lehe so moved. Mr. Lister seconded the motion. The vote was taken and the motion carried.

C. Delta Charter Flight Agreement

Chairman Warr called on Mr. Parham who said the Athletics Department was seeking approval 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:

- University of Central Florida – September 28, 2013
- University of Arkansas –October 12, 2013
- University of Tennessee – October 19, 2013
- University of Missouri – October 26, 2013

This is the standard charter flight agreement that Athletics has entered into for the past few years, Mr. Parham said. The total cost of the contract is $430,858. Before selecting Delta Air Lines to provide this service, the Athletics Department contacted six airlines to check availability, obtaining quotes from Delta, United, American, US Airways, Air Craft Logix, and Air Fax.

Delta was selected for a number of reasons, Mr. Parham said, noting that Delta has been used by the Athletics Department on several occasions in the past and the Athletics Department is well satisfied with the service and Delta has the necessary sized aircraft available.

Chairman Warr called for a motion to approve the Delta Chart Flight Agreement 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. <u>Williams-Brice Stadium Catering Contract</u>

Chairman Warr called on Mr. Parham who said the Athletics Department was seeking approval to enter into a contract with Southern Way, Inc. under which Southern Way would be granted the right to provide catering services to the following areas at Williams-Brice Stadium during football season: The Zone (south end zone); the 200 Level on the West Side including the 18 suites, the Executive Clubs and the Champions Clubs; and the 600 Level on the West Side below the Press Box, including the Club and two suites located there.

Mr. Parham said that the Athletics Department selected Southern Way after a competitive solicitation pursuant to the South Carolina Consolidated Procurement Code. The selection process was comprehensive. Athletics scored the proposals based on categories such as company history, service and presentation, quality assurance measures, proposed menus and pricing. The highest scored vendors then participated in a tasting exercise in which the vendors prepared food that was tasted and scored by groups of University officials, donors and Gamecock Club members based on categories such as presentation, temperature, quality and taste. Southern Way was the highest rated vendor.

The term of the contract is four years beginning July 1, 2013, and ending May 31, 2017. The Athletics Department may terminate the contract at any time upon 30 days written notice. The total value of the contract is estimated to be $2,435,202. That amount, Mr. Parham said, was determined based on the price per head in each of the suites and clubs being catered, times seven home football games each year, times the four-year contract term.

Under the contract, Southern Way has to maintain appropriate liability insurance ($2 million per occurrence; $2 million aggregate) and agrees to indemnify the University from and against any claims related to the catering services being provided.

Mr. Parham noted that, according to the Athletics Department, Seawell's will provide catering services to the scholarship lounges on the East and West sides of Williams-Brice Stadium again this year.

Chairman Warr called for a motion to recommend approval to the full Board of the Williams-Brice catering contract with Southern Way, Inc. 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.

E. Athletics Publishing Contract

Chairman Warr called on Mr. Parham who said that the Athletics Department was seeking approval to enter into a publishing contract with Aiken Communications, Inc. (ACI). Under the contract, ACI will publish a newspaper, magazine and website on behalf of the Gamecock Club for distribution to or access by Gamecock Club members. These publications would replace the current Spurs and Feathers newspaper publication.

The term of the proposed contract is five years, beginning July 1, 2013, and ending June 30, 2018. Either party may terminate the contract upon 12 months written notice. Under the contract, Mr. Parham said that ACI will publish each contract year:

- 20 editions of a tabloid-style newspaper of professional quality commensurate with the quality of booster club newspapers at other SEC and ACC institutions, consisting of:
    - A minimum of 20 pages, including covers
    - Color on at least the front cover
    - Content relating to University athletics events, Athletics Department and Gamecock Club news and information, and features on staff, student-athletes, and recruiting
    - Six pages allocated to the Athletics Department at no charge for its use in disseminating information to Gamecock Club members or promoting events, competitions and special recognitions
- Three editions of a full-color magazine of professional quality commensurate with the quality of booster club magazines at other SEC and ACC institutions, consisting of:
    - A minimum of 40 pages, including covers
    - Content relating to University athletics events, Athletics Department and Gamecock Club news and information, features on staff, student-athletes and recruiting, and other unique features and photography
    - Six pages allocated to the Athletics Department at no charge for its use in disseminating information to Gamecock Club members or promoting events, competitions and special recognitions
- An electronic edition of each newspaper and magazine published
- A website and associated mobile/tablet application.

Mr. Parham said payment would be made in two equal installments on or about July 15 and January 15 of each contract year, with the Gamecock Club paying ACI the following subscription fees; provided, however, the total subscription fees paid by the Gamecock Club in any contract year shall not exceed $300,000:

- Contract Year 1 (July 1, 2013 – June 30, 2014): $25 per Century Club level member and above (payment for 12,000 members guaranteed)

- Contract Year 2 (July 1, 2014 – June 30, 2015): $21 per Century Club level member and above (payment for 12,000 members guaranteed)

- Contract Year 3 (July 1, 2015 – June 30, 2016): $19 per Century Club level member and above (payment for 12,000 members guaranteed)

- Contract Year 4 (July 1, 2016 – June 30, 2017): $17 per Century Club level member and above (payment for 12,000 members guaranteed)

- Contract Year 5 (July 1, 2017 – June 30, 2018): $15 per Century Club level member and above (payment for 12,000 members guaranteed).

ACI will pay the Gamecock Club 20% of net advertising revenue generated by the newspapers, magazines and website, with payment made on July 15 following each contract year.

Under the contract, Mr. Parham said that the Gamecock Club would:

- Provide ACI the name, address and email address of Gamecock Club members

- Obtain from the University a license to use designated University marks associated with the Athletics Department. Mr. Parham explained that part of the approval being sought was for authorization for Aiken Communications to use the logos associated with Athletics solely in connection with the publications.

- Secure from the Athletics Department access to the sidelines, press box, interview room, locker room and other locations

- Provide assistance in identifying potential advertisers.

Chairman Warr called for a motion to recommend approval to the full Board of the publishing contract with Aiken Communications, Inc. as described in the agenda materials and presented by Mr. Parham. Dr. Floyd so moved. Mr. Loadholt seconded the motion. The vote was taken and the motion carried.

F. Campus Televideo, Inc.

Chairman Warr called on Mr. Parham who said University Technology Services was requesting approval of an amendment to the University's contract with Campus Televideo, Inc. regarding cable television service on the USC Columbia campus.

Under the contract, the amount the University pays Campus Televideo, formerly known as Lamont Digital Systems, Inc., each year depends on the number of occupied housing units provided cable television service. The contract requires the University to notify Campus Televideo each time the number of occupied housing units increases or decreases. With the University taking Sims, McClintock and Wade Hampton offline for one year to renovate the buildings, there will be a decrease in the number of occupied housing units. Therefore, the proposed amendment would do two things:

- Extend the term of the contract for one year, beginning May 1, 2013, and ending June 30, 2014
- Reduce the cost to the University by the sum of $6,686.93 annually – the University will pay $346,167 annually (or $28,847.25 monthly) rather than $352,853.93.

Mr. Parham noted that the annual amount of the contract can increase during the term of the contract since Campus Televideo will pass along to USC any increases in programming costs charged by ESPN or other networks that occur during the coming year. UTS pays Cable Televideo and recoups the cost of the contract through charge backs to University Housing, Greek Housing and the National Advocacy Center, and other USC departmental cable subscriptions. University Housing generates its funds through residence hall fees.

Chairman Warr called for a motion to approve the contract with Campus Televideo, Inc. 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.

G. PAETEC Software Corporation

Chairman Warr called on Mr. Parham who said that University Technology Services was seeking approval of an amendment to its software license agreement with PAETEC Software Corporation. Under the amendment, UTS would purchase the Pinnacle Application Integration Manager Module, upgrade to Version 6, and extend the maintenance term for four years, ending March 31, 2017. The total cost of the software purchase and four years of maintenance would be $279,325.

The Pinnacle software, a communications management/tracking tool, is used to track the location of every phone, network/data connection, and switch throughout the Columbia campus; manage the system of recording and tracking service calls from USC employees who are experiencing problems or need assistance; and load communications billing data to the General Ledger. Mr. Parham said that part of the software also supported the E911 system on campus.

Chairman Warr called for a motion to approve the contract with PAETEC Software Corporation as described in the agenda materials and presented by Mr. Parham. Mr. Lister so moved. Mr. Loadholt seconded the motion. The vote was taken and the motion carried.

H. SARS Software Products, Inc.

Chairman Warr called on Mr. Parham who said that the Provost's Office was requesting approval to purchase student advising management software from SARS Software Products, Inc. The software is designed to increase the efficiency of the student academic advisement process, both from the perspective of the advisor and from the perspective of the students. The software will be used by all academic departments on the Columbia campus so that the advisement process will be uniform for all students, regardless of their major. That is not the case currently. The software also will be made available to all USC campuses.

A significant feature among the many offered by the software is its ability to track all student advisement appointments and provides a record of the actions taken. This will allow advisors ready access to historical advisement records. Also, if a student transfers from one academic unit to another, the software will allow a student's new advisor to access the student's academic records quickly and easily, which will allow the new advisor to better advise the student.

Mr. Parham said that the SARS software was selected after a competitive solicitation process pursuant to the State Procurement Code. The term of the proposed license is five years ending May 30, 2018. The estimated cost of the license and onsite training is approximately $46,040 annually or $230,200 over the term of the contract.

Chairman Warr called for a motion to approve the contract with SARS Software Products, Inc. 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.

I. <u>Palmetto Health Richland Clinical Pharmacy Agreement</u>

Chairman Warr called on Mr. Parham who said that at the request of Palmetto Health, the College of Pharmacy is seeking approval to amend the Pharmacy Faculty Agreement with Palmetto Health to authorize the College to provide a Pharmacy faculty member to work in the hospital pharmacy processing prescriptions and medications rather than perform the clinical consultation services that the six other pharmacists under the agreement provide. Palmetto Health will pay the College of Pharmacy $40,000 per year for the seventh pharmacist for the remaining term of the agreement, which ends December 31, 2015.

All other terms and conditions of the Pharmacy Faculty Agreement will remain in effect, including the requirement that Palmetto Health will continue to allow the University's pharmacy students to receive education training and clinical opportunities at Palmetto Health. In that regard, Palmetto Health provides the College of Pharmacy, its faculty and students, with clinical facilities, office space, classroom space, access to library facilities, and other suitable space for teaching students in the clinical areas.

Chairman Warr called for a motion to approve the Palmetto Health Richland Clinical Pharmacy Agreement as described in the agenda materials and presented by Mr. Parham. Dr. Floyd so moved. Mr. Hubbard seconded the motion. The vote was taken and the motion carried.

II. University's FY 2013-2014 Annual Operating Budget

Chairman Warr called on President Pastides to present the annual budget. President Pastides said he was happy to present a budget that was both "compassionate and conservative." He continued:

> I believe being compassionate toward our families and toward the taxpayers of South Carolina is not just about what we charge; it's about the value we provide. I'm proud to tell you that I believe we provide a great value in education, one of the best in the United States of America.
>
> The average net tuition to be paid by an undergraduate, in-state student next year per semester will be about $2,500 or less. That is only slightly more than it was this past year. While at the same time, the value comes from having the funding to continue to build the student experience here at Carolina with respect to student-faculty ratios and class size; extra-curricular opportunities, including our first full year of the enhanced leadership initiative; and the maintenance and beautification of our grounds and buildings here in Columbia and throughout the system. That is what I mean about compassionate. Not only low cost, but high value.
>
> And, it is a conservative budget as well. We have and will continue to cull academic programs when they are not meeting a student demand. We look for better ways to do business in terms of our physical plant and our back-office operations. As Ed Walton has looked around the Southeastern Conference, our central administration costs are among the lowest in the SEC and throughout the southeastern United States. That is what I mean by conservative.
>
> I'm fully confident that our budget will be met with approval by the General Assembly. As you might imagine, we've had discussions with leaders, both in the Senate and in the House. The proposed budget tuition increase of 3.15 percent is in line with inflationary pressures in higher education. We've been in regular communications with the Governor and her staff, as well. No one would have preferred a zero percent increase more than I or more than you on the Board of Trustees.
>
> The conversations that I have with the Governor talk about reforming the funding of higher education. This is a year when revenues to the state are up, but other priorities were chosen by government for funding, including roads and prisons and health care and we know all the other needs that we have. My promise to the hard working people of South Carolina is let's reform the way this University, the way all of our universities are funded. Let's have a conversation about that, about transparency, about efficiency, about accountability and then we will look at some day a zero percent increase. No one would like that anymore than I would.
>
> In the meantime, our proposed tuition increase is lower than requested increases of most of the SEC colleges, including Auburn, Georgia, Kentucky, Old Miss, Mississippi State, and Tennessee. Texas A&M is aberrant this year; they are requesting a lower tuition increase, but they received incredibly high new state appropriations for running Texas A&M.
>
> I would now ask Ed Walton and Leslie Brunelli, two of the best financial officers working in public higher education today, to lead you through the budget presentation.

In establishing background for the budget presentation, Mr. Walton said:

> Higher education has clearly not been a priority on par with health care in South Carolina for some years. It is being beat out by health care, maybe K-12, and this year saw transportation gain a lot of excitement in the General Assembly as well. Higher education is funded, but it is not funded like it once was and because of that the University of South Carolina, and other universities in South Carolina, are all adapting and changing.

During the great recession from 2008 to 2011, State appropriations for USC dropped nearly $120 million – that was 50 percent. That was a game changer for the University. We quickly adapted. We got larger during that period. We increased enrollment by 4,250. We increased tuition by a total of 16 percent during that period. But, most important, with new leadership and sharper focus, the University made a transformation. Quite frankly, we moved from what I would call a sleepy state university to an aggressively managed, student-focused, and state-supported research university.

We talk about that and take it for granted, but I'm not sure everyone knows that so I wanted to get it in the public record. Let me tell you about how we did some of this. I'm going to give you some examples. We eliminated institutional funding for organizations like the Nano Center at $1 million, Future Fuel Center at $4 million, and the Institute for Public Service and Policy Research was reduced by $700,000, and the Institute for Families in Society was reduced by $105,000. Those are research or public service organizations and the University wisely decided that if we were going to be the kind of university that was going to come out of the recession with some strength then these other areas would have to be eliminated or reduced so we could focus the money on the academic mission. So that is what we did.

We cut funding for those organizations. Instead of continuing without State appropriations and using tuition for those, we put them all on externally funded grants or simply shut them down. Those are specific examples. But I can tell you, in the College of Arts and Sciences for example, many academic efforts were redirected into the teaching effort because we were growing and we had to refocus on the academic mission. This was done purposefully and with a lot of effort and planning.

My point is that the new investments made since the recession were not made just to rebuild what was here, the new investments were built on making the University more efficient, more effective, especially in the academic world. As you know from your time on the Board, any new money that we generated during that time was put on targeted focus areas. We have a master plan called Focus Carolina and in that we focus on students, on the facilities, on research. You think about those things and you will understand why since the recession, instead of just rebuilding what was here before, what we've done is invest in Student Affairs, nearly $13 million annually; nearly $22 million annually in faculty replenishment; we've upgraded our campus facilities efforts by $8 million annually; campus safety we've improved to the tune of $2 million annually; and in order to raise more money and to expand the recognition of the University, we've also invested nearly $3 million in Advancement and nearly $1 million in Communications. Those are the strategic priorities. But also the Legislative pay increases and other required increases such as insurance premiums, utilities and health care cost another $21 million annually.

Those are the things that we deal with and have dealt with in reshaping the University. I will tell you if we had not done what we did, then we would be the university that was at the doorstep of the General Assembly begging for money just to keep afloat. Because it takes money to run a university and it takes money to run a great university and this University is emerging quite well. It is able to do that because of its leadership and our willingness to invest. We wouldn't want to be before the General Assembly right now begging for money just to survive in the old ways. I don't see anybody succeeding with the way that the General Assembly is funding higher education now.

Let me tell you about the auxiliary enterprises. You've heard about Athletics today; Athletics is prospering. Housing is doing fine; they keep up with inflation. We have a new housing master plan that you're aware is going to be implemented over the next few years that will change the way of housing at USC.

The ability for USC and other universities to continually raise prices is coming to a peak and we can really analyze it fairly well that we are at the peak of a revenue cycle. Significant tuition and price increases, the double digits seen in the early 2000's, no one is doing that. You can see it across the nation in some places, there are still some double digits, but those are in areas where the prices were artificially low because of government subsidies – meaning the states were putting more money in so that prices of tuition were artificially low therefore they had market room to move up. USC, as you know, never had that room. Whatever room we had was pretty well exhausted during the recession. So now we're looking at, because of market forces, any price increase more than the increase in inflation plus a little bit more for investment is going to be very, very difficult to do from here out.

> Over the next few years, we're going to see real challenges on revenue growth. We think we're at capacity for the facility. I've told you several times that in 2002 we had just over a million square feet of academic space and today we have just over a million square feet of academic space. So in 10 years with no change in our academic space, we've almost increased enrollment by 50 percent. That speaks to efficiency but in walking around campus; I can tell you that it is pretty well filled up. It's not that there is excess room to be had. We can do what we have to do, using the clock, using days of the week. The President has a plan for On Your Time Graduation, which will give us access to the facility even more in the summer. But the facility is pretty much at its max right now. So the ability to grow enrollment is now constrained. Under the guidance of this Board and this President, we're at the peak of this revenue cycle. So we're going to continue working with Dennis Pruitt, Michael Amiridis, this President and this Board to try and figure out what is the best mix of resources and cost controls to keep this thing moving forward in the direction it is going.

With that background provided, Mr. Walton said that approval of the budget was being sought from the Executive Committee and the full Board. He described the budget process as a market-driven exercise, in which the University competed for enrollment because students can go wherever they like. Price, especially for residents with State scholarships, is competitive with anybody in the country. The average is $2,400 net per resident student after scholarships, which is a good deal.

Comprehensive universities including those in the University's system and those in small, limited markets are under great stress because significant new money is unavailable and the population is not there to increase enrollments to create revenue. Mr. Walton said that the University has taken action to address these issues. Over two years ago President Pastides had the idea of Palmetto College, which is working and now accepting students; more students than was originally planned. Now, the concept of "On Your Time Graduation" will offer a 33 percent increase in available facilities by scheduling them 12 months out of the year instead of the traditional nine months.

Mr. Walton also noted that efforts were underway to change the University so that it might be funded at the state level based on performance, as suggested by the President. The University would do well under those kinds of metrics, which would recognize its efforts to allocate according to priorities and to continually evaluate programs.

Mr. Walton described a three-legged financing stool; one that is a function of tuition and price, enrollment, and cost containment. Having exhausted the ability to manipulate tuition and enrollments, the University must work with cost containment to guarantee its future. As always, he said, the budget reflects the application of existing resources to established priorities. He encouraged Board members in their conversations with the General Assembly to try to protect or increase the University's state appropriations and above all to protect the South Carolina Education Lottery Scholarships, which significantly reduce the cost of tuition for South Carolina residents.

Mr. Walton noted that in terms of revenue, the University's Columbia campus has the lowest tuition per full time equivalent (FTE) student and the lowest state appropriation per FTE of every school in the SEC except Ole Miss. When compared to accepted peer and peer aspirant institutions, the University has less tuition per FTE and less appropriation per FTE. To underscore efficiency, he illustrated for the Board that the University spends 44 percent on instruction as a percent of core expenditures (instruction, public service, research, academic support, institutional support, operations and maintenance), which compares favorably with other institutions.

Ms. Brunelli then offered the details of the FY 14 budget. Before beginning, she noted that Board members had been provided an updated copy of the Capital Budget Document, a compilation of projects in progress and projects that may be initiated through April 2014. It includes the Comprehensive Permanent Improvement Plan, the Five-Year Plan, the Capital Renewal Plan and a summary debt report. The companion to that is the Operating Budget Document, which had not yet been printed because there are still two State budgets. She indicated that once the State budget was finalized, the University would print its Budget Document.

Ms. Brunelli showed summary slides that illustrated the University funding under the House version of the budget bill, noting that new recurring funding was included for Palmetto College and that one-time funding also was allocated for On Your Time Graduation. Importantly, for the senior campuses (Aiken, Beaufort and Upstate), there was new recurring dollars for parity. On the Senate side, she said the numbers change significantly because of a pay package. She said that a pay package would come with some state dollars, but that the University would have to match those dollars and provide quite a bit more. For any pay package, the University only receives about a third of the dollars from the State that would be needed. This means that the University would have to raise tuition, cut costs, and that the Auxiliaries like Athletics, Housing and the Student Health Center would have to use their own dollars to match the State pay package. In the Senate budget, the University would receive the same dollars for Palmetto College and On Your Time Graduation, with the addition of $421,270 in recurring dollars for On Your Time Graduation. And for Upstate, its recurring parity dollars increased from $250,000 to $848,000. The University's Regional Campuses also received some non-recurring money for parity in the Senate budget, while it would allocate Sumter $72,000 in recurring dollars for parity.

Ms. Brunelli said that there is deferred maintenance funding under the Senate budget, which is part of the Capital Budget instead of the Operating Budget. This funding would come from the Lottery allocation if it remains through the conference process. The Lancaster campus, she said, has been allocated deferred maintenance funding in both the House and Senate versions of the budget. Deferred maintenance dollars requires a one-to-one dollar match.

Ms. Brunelli next detailed the tuition proposal, which represented an average 3.15 percent tuition increase across the system with the Columbia undergraduate rate increasing by $164 per semester. The graduate and law rates increase by 3.1 percent, the SC College of Pharmacy increases by 3 percent, and the medical school (Columbia and Greenville campuses) increases by 5 percent. At the system campuses, the increase is 3.16 percent, except for Beaufort, which is 4.9 percent. Ms. Brunelli noted that when Beaufort became a four-year campus in 2004, it had a tuition level comparable to the Regional Campuses and it has been working to bring its rate up to the Aiken level. Palmetto College is tied to the Aiken rate; it includes the Aiken tuition plus the Columbia technology fee.

Ms. Brunelli noted that the Columbia Housing and Meal Plan charges were impacted by market forces including the pay package, as well as contractual arrangements. She used Sodexo as an example, noting they had to include the amount for local option sales taxes in their increase. The Housing average for Columbia was about 5 percent, while at Aiken and Upstate it was 2 percent. The Housing and Meal Plan at USC Beaufort is owned by the Beaufort Jasper Higher Education Commission and the University's Board does not adopt those rates, she said.

She next illustrated how funding would be used depending on whether there was a House budget or a Senate budget. The biggest difference would be the 1 percent pay package that would require $1.9 million of the tuition increase for the Columbia operating budget, which would require strategic priorities to be realigned. The item that would suffer the most would be the faculty replenishment initiative. There are a number of required cost increases, Ms. Brunelli said, including the 4 percent fee waiver, utility increase, and insurance for the tort property and casualty that must be met. In Columbia, an enrollment increase is expected due to the class increase of 2010 combined with increased retention, increased transfer students, and a larger freshman class. The enrollment increase will yield about $5.75 million. For the system campuses, she noted that the pay package would be the challenge for each of those campuses.

Ms. Brunelli provided a summary of the total current funds budget, which is approximately $1.3 billion and represents a 1.27 percent or about $17 million increase over the prior year. Tuition and fees make up the majority, followed by grants, contracts and gifts. Broken down further, she said, the operating or A funds was over $700 million or 55 percent of the budget. Restricted funds, which are grants and research activity from faculty and student financial aid, come in at 24 percent of the budget. These funds are under stress from sequestration, she said.

In response to a question from Mr. Mobley, Ms. Brunelli confirmed that depending on what budget the State adopted – the pay package being the largest factor – then the administration would implement the associated University budget proposal as presented.

Mr. Jones questioned the issues posed by the affordable care act, noting that cost containment appeared to be the only thing that the Board could use to deal with it. Ms. Brunelli confirmed this and he asked if it was an appropriate time to conduct a review of where additional cost containment could take place to deal with it. Mr. Walton indicated that the Affordable Care Act is one of the most important things to happen to the University; yet there is little control over it and information about how much it will cost and its affect is only now becoming available. More information will become available before October 31. With that noted, Mr. Walton estimated that over three years, beginning January 1, 2014, the University would be looking at an added $24 million in health care costs. He said he was cautious about identifying a consultant on the issue at this time and wanted to study it before identifying what kind of help was needed to deal with the issue.

In response to a question from Mr. Williams about the amount of state appropriations per student, Ms. Brunelli said that the University was the lowest in the SEC; within the State, Columbia is high since fewer FTEs and more dollars are associated with the Medical School, but it still remains below Clemson. Within the teaching sector where Aiken, Upstate and Beaufort are concerned, the Citadel has received the highest appropriation per FTE, while Upstate and Beaufort are the lowest.

Mr. Williams continued that he failed to understand funding that provided Clemson higher appropriations per FTE, yet the University was looked upon to educate South Carolinians. President Pastides agreed, saying the University was not funded based on quality or a metric of accountability, which was a historic thing, but also that the University, unlike Clemson, does not receive extra money for community outreach represented by professional schools such as law, pharmacy, medicine and health sciences. A new dialogue, a new discussion and a new case need to be made, President Pastides said.

Mr. Westbrook asked to receive a breakdown of appropriation by student by school following finalization of the budget process.

Dr. Zais noted that part of the problem is the historical funding formula that comes out of the Commission on Higher Education (CHE). A group he described as loath to make any decisions whereby one institution's dollars will be cut and another's will be increased. Given a fixed pot of money, if significant changes are to be made then somebody will have to be cut, Dr. Zais said. Mr. Walton noted that the CHE's formula has been abandoned in practice.

Dr. Floyd observed that the focus was on the percentage increase when the overall picture, as he understood it, is that USC's tuition is 22 percent lower than Clemson's. As previously recognized by Mr. Williams, he also praised the job done by Ms. Brunelli, Mr. Walton and their staff.

Mr. Lister asked for the Student Body President's thoughts on the proposed budget and proposed tuition increase. Mr. Mizzell said "above all else we come here for an education. We come here for a high value education. And if we take action that would decrease that, then we are really decreasing the value of our education altogether. If it takes a 3.15 (tuition increase), if it takes that to ensure that the money we are investing is providing an education that is high class and that is world class, then that is something we must support." As for how the money is spent, he said, safety is a priority for students but instruction can be no less important. "For us to know that 44 percent of our money is going into instruction is something that we must not only be ok with, but that we, as students, are proud of. The University of South Carolina must maintain a commitment to faculty and to high class faculty, continuing to increase its ability to retain faculty, understanding that education comes first. We must invest in higher education to maintain that quality."

Supporting Mr. Mizzell's comments on the need to retain the best faculty, Faculty Senate Chair Dr. Kelly said the problem of salary compression made the University very vulnerable to having the best faculty "picked off" and that funding allocated to address this issue was vital. She also noted the faculty replenishment initiative will help handle increased enrollments.

In response to comments from Mr. Burroughs, Mr. Walton said that continuing efforts would be made to involve and educate the Board on the University's budget through phone calls, small group and committee meetings. Mr. Cofield, endorsing comments by Mr. Mizzell and Dr. Kelly, said he was proud that brakes had been placed on tuition increases. He also recognized the tremendous job performed by the finance division. He also sought a commitment from Finance to provide quarterly updates on strategies and measures being undertaken for cost containment that would help the Board stay better informed, keeping the pressure on maintaining cost containment throughout the year. Mr. Walton agreed, indicating that discussions already were underway about such reports.

Mr. Fennell stressed the need to continue to look for efficiencies because the University needed to insure that it had the total resources for its students. Board members, he said, had to start working harder with the Legislature. State funding needed to increase and a bond bill was needed, he added. A 3.15 percent increase was nominal given what had to be done. Mr. Fennell commended Mr. Walton and his team for the budget work. He also noted how much more information he was receiving than when he previously served on the Board.

Mr. Mobley said that as he looked at the business model presented, he felt the greater challenge was to get those individuals who wanted the University's product into the system. He said he fully supported the budget and that there was no alternative but to support the job done by the administrative team. Mr. von Lehe followed up on Mr. Mobley's comments, noting that unfortunately the large number of people interested in the main campus, were not interested in the Regional Campuses. One of the real problems financially for the University, he said, is the expense posed by Regional Campuses and the lack of interest on the part of students to enroll.

In response to Mr. Lister's question about the actual extent of the enrollment problem faced by the Regional Campuses, President Pastides said the system needed to work more collaboratively and cohesively. There is growth opportunity at each of these campuses and rebranding is underway to designate the University's senior campuses as comprehensive campuses. In administrative and cost savings, President Pastides said, the University is looking at how it can work better with these campuses. In general, all three of the comprehensive campuses will have stable enrollment – not much bigger, not much less.

Chairman Warr called for a motion to adopt and move to the full Board the proposed total current funds budget for the 2014 fiscal year, as presented in the materials distributed to the Board, including the operating budgets, tuition and fee schedules, the budgets for all auxiliary enterprises, and the designated funds budget. The University budget is contingent on final approval of the budget for the State of South Carolina and stated items may be adjusted as needed.

Mr. von Lehe so moved. Mr. Loadholt seconded the motion. The vote was taken and the motion carried unanimously.

III. Adjournment

Since there were no other matters to come before the Executive Committee, Chairman Warr declared the meeting adjourned at 12:20 p.m.

Respectfully submitted,

Amy E. Stone

Amy E. Stone
Secretary