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University of South Carolina

BOARD OF TRUSTEES

Executive Committee

June 8, 2007

The Executive Committee of the University of South Carolina Board of Trustees met on Friday, June 8, 2007 at 1:30 p.m. in the 1600 Hampton Street Board Room.

Members present were: Mr. Herbert C. Adams, Chairman; Mr. James Bradley; Dr. C. Edward Floyd; Mr. Miles Loadholt and Mr. Michael J. Mungo. Mr. Mack I. Whittle, Jr. was absent. Other Trustees present were: Mr. William L. Bethea, Jr.; Mr. Mark W. Buyck, Jr.; Mr. John W. Fields; Mr. Samuel R. Foster II; Mr. William C. Hubbard; Mr. William W. Jones, Jr.; Mr. Toney J. Lister; Mr. M. Wayne Staton; Mr. John C. von Lehe Jr.; Mr. Eugene P. Warr, Jr.; and Mr. Othniel H. Wienges, Jr.

Others present were: President Andrew A. Sorensen; Secretary Thomas L. Stepp; Executive Vice President for Academic Affairs and Provost Mark P. Becker; Vice President for Research and Health Sciences Harris Pastides; Vice President and Chief Financial Officer Richard W. Kelly; Vice President for Advancement Brad Choate; Vice President for Student Affairs and Vice Provost for Academic Support Dennis A. Pruitt; Vice Provost for Faculty Development Christine Curtis; Vice President for Human Resources Jane M. Jameson; General Counsel Walter (Terry) H. Parham; Vice Provost for System Affairs and Executive Dean for Regional Campuses and Continuing Education Chris P. Plyler; Assistant Vice Provost for Academic Affairs William T. Moore; Associate Vice President of Marketing and Communications Gary Snyder; Associate Vice President of Finance and Personnel, Division of Student Affairs, Stacey Bradley; Chancellor of USC Aiken Thomas L. Hallman; Vice Chancellor, Business and Finance, USC Aiken, Virginia S. Hudock; Executive Vice Chancellor for Academic Affairs, USC Upstate, Reginald Avery; Vice Chancellor for Business Affairs, USC Upstate, Robert Connelly; USC Campus Dean of the South Carolina College of Pharmacy Randall C. Rowen; Dean of USC Lancaster John Catalano; Athletics Director Eric Hyman; Chief Financial Officer, Department of Athletics, Jeff Tallant; Executive Associate Athletics Director Kevin O'Connell; Budget Director Leslie Brunelli; Assistant Treasurer Susan D. Hanna; Director of Governmental and Community Relations Shirley Mills; Director of Periodicals, University Publications, Chris Horn; Director of Government Affairs and Legislative Liaison Johnny D. Gregory; Associate Director of Government Affairs and Legislative Liaison Casey Martin; Controller Patrick Lardner; Director of the Office of

University Communications, Division of University Advancement, Russ McKinney, Jr.; Student Assistant, Business and Finance, Scott Spivey; Board staff members Terri Saxon, Vera Stone, and Karen Tweedy; and members of the media.

Chairman Adams called the meeting to order and asked Mr. McKinney to introduce members of the media who were in attendance. Chairman Adams 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 to members of the Committee; and a quorum was present to conduct business.

Chairman Adams stated that there was a contractual matter which was appropriate for discussion in Executive Session. Mr. Bradley moved to enter Executive Session. Dr. Floyd seconded the motion. The vote was taken, and the motion carried.

The following persons were invited to remain: Dr. Sorensen, Mr. Stepp, Dr. Becker, Dr. Moore, Dr. Pastides, Mr. Kelly, Dr. Hogue, Mr. Choate, Dr. Pruitt, Ms. Jameson, Dr. Plyler, Mr. Parham, Mr. Gregory, Mrs. Martin, Ms. Brunelli, Mr. McKinney, Mrs. Saxon, Ms. Stone, and Ms. Tweedy.

Return to Open Session

I. Contracts Valued In Excess of \$250,000:

A. Global Spectrum, LP: Chairman Adams called on Mr. Parham who reported on behalf of the Athletics Department which was seeking a new facility management agreement with Global Spectrum LP for the management and operation of the Colonial Center. Global Spectrum had managed the Colonial Center since its opening in November 2002.

Mr. Parham gave an overview of Global Spectrum's performance under the current Colonial Center management agreement. Since 2002, Global Spectrum had arranged and managed 65 concerts and 120 family shows just in the touring performance aspect of the uses of the Colonial Center. The Colonial Center ranked ahead of much larger facilities such as the Melon Arena in Pittsburg, the Veterans Memorial Arena in Jacksonville, Bobcats Arena in Charlotte, and the Target Center in Minneapolis in ticket sales to touring events.

Mr. Parham stated that Global Spectrum had been an excellent partner to the University from an educational standpoint. Global Spectrum had hired 28 USC graduates to full-time positions within Global Spectrum's corporate system and more than 100 students had completed Internships at the Colonial Center. Overall, the Athletics Department was very pleased with Global Spectrum's performance over the past four years.

Mr. Kelly stated that the proposed contract was competitively bid through the Purchasing Office in accordance with the S. C. Consolidated Procurement Code. There were two responsive bidders, Global Spectrum and Centerplate. The selection team evaluated the two proposals and determined that Global Spectrum was the better deal for the University from both a performance and financial standpoint.

Mr. Kelly stated that the term of the contract was July 1, 2007 through June 30, 2014. The management rights granted to Global Spectrum under the new contract were identical to those under the previous contract as well as Global Spectrum and USC Aiken Convocation Center. Global Spectrum had exclusive rights to manage and operate the Colonial Center.

In addition, Global Spectrum could propose to the University for its consideration events, concerts or shows at Williams Brice Stadium other than intercollegiate and high school football, NCAA sponsored events, state and community non-profit events. Once an event is approved by the University for the Stadium, Global Spectrum would be allowed to promote the event and receive 25 percent of the net profit generated by that event.

Under the proposed contract, Global Spectrum would receive two forms of compensation: a fixed management fee and an incentive fee. Global Spectrum would

receive a fixed management fee of \$200,000 per year annually for the first three years of the contract that would increase each succeeding operating year by an amount of the local Consumer Price Index for the local Columbia, South Carolina area, not to exceed three percent per year or \$250,000 maximum.

Mr. Kelly stated that Global Spectrum would receive an incentive fee in an amount not to exceed twenty percent of the overall compensation paid for each operating year (the cap would be \$50,000 for the first three years, with such cap increasing in each succeeding operating year dependent on the increase in the fixed management fee).

Mr. Parham stated that the average revenue generated at the Colonial Center during the previous contract was approximately \$1.642 million dollars per year.

Another provision of the new contract was that Global would advance the sum of \$200,000 to the Athletics Department which could be used for capital improvements at the Colonial Center. The Athletics Department would pay back that \$200,000 loan interest fee in annual installments of \$28,571.43 on January 1 of each year of the seven year contract.

Mr. Parham stated that Mr. Hyman, Mr. Jeff Talent, who negotiated the financial terms of the contract, and Mr. Kevin O'Connell, Senior Associate Athletics Director, were available to answer any questions regarding the agreement.

Discussion ensued regarding how revenues were generated and dispensed at the Colonial Center. Mr. Hyman explained the process and stated that the Athletics Department received revenue directly from sporting events through Action Sports and from the sale of suites and advertising sales. Revenues from ticket sales for other events went into an operating account and were used for operating expenses. Global provided the Department with a monthly financial statement.

Chairman Adams requested that the Athletics Department provide a report to the Committee showing a comparison of operations versus the pro forma of the Colonial Center and to direct any questions or clarification on what information was needed on the report to Dr. Floyd.

Mr. Loadholt made a motion to approve the contract as described in the materials distributed for this meeting. Mr. Mungo seconded the motion. A vote was taken and the motion carried.

B. South Carolina College of Pharmacy: Chairman Adams called on Dean Rowen who reiterated the shortage of pharmacists in the state and across the country. A collaborative effort between the University and the Greenville Hospital System was currently underway to address this issue in South Carolina. Dean Rowen stated that the University had a history of providing highly trained and well qualified pharmacists to the Upstate and they had also worked closely with

healthcare partners in the Upstate to assist with pharmacy education. Currently, there was an ongoing MOU between USC and the Greenville Hospital System. The long-term plan was to have a complete pharmacy program in the Upstate so that students could complete all of their training in the Upstate in hopes that many pharmacists would remain in that region of the state upon graduation.

Dean Rowen discussed the terms and conditions of the proposed MOU under consideration today. The MOU included extensions of educational opportunities for pharmacists in the Upstate. This MOU was for three years commencing July 1, 2007, and would terminate on June 30, 2010. The MOU included more support from the Greenville Hospital System in terms of staff, infrastructure and contributions by their healthcare staff in the educational process.

President Sorensen asked if they were currently offering PharmD courses in Greenville. Dean Rowen responded "yes," but predominantly in the fourth year with some earlier experiential rotations. President Sorensen stated that the University had approximately 35 medical students in their third and fourth year of medical school at the Greenville Hospital Systems. That arrangement had been in place since 1983 and that program would expand upon approval of the MOU today.

Chairman Adams made an inquiry regarding a time table when students would be able to take all three years in Greenville. Dean Rowen responded that he hoped the entire curriculum would be offered in the Upstate within the next five to seven years. However, this was dependent upon adequate facilities to accommodate the extra students.

Dr. Floyd stressed the importance of the University's and Greenville Hospital System's relationship and he applauded the Administration for their efforts.

Mr. Mungo moved approval of the contract as distributed in the materials for this meeting. Dr. Floyd seconded the motion. The vote was taken and the motion carried.

II. FY 2007-2008 Budget: Chairman Adams called on President Sorensen who yielded to Mr. Kelly to provide an overview of the proposed FY 2007-2008 University budget.

Mr. Kelly stated that the General Assembly had not finalized the State budget for FY 2007-2008. The University's preliminary budget being presented today was contingent upon final action of the Appropriations Bill for the next fiscal year. The state funds information contained in the preliminary document was subject to change due to the final Conference Committee budget and any subsequent action by the Governor.

Mr. Kelly displayed information on the screen about the proposed budget. The administration would increase in-state resident undergraduate tuition and fees on

the Columbia campus from \$3,904 to \$4,173 per semester, a 6.9 percent increase. This figure included mandated fees such as a transportation fee of \$10.00, student activities of \$2.00, Student Health Center of \$5.00 and athletic activities of \$20.00.

Mr. Kelly stated that Clemson University had announced that it would increase their in-state student tuition by five percent which meant that USC's tuition was still \$1,520 less per year than Clemson University.

Mr. Kelly stated that the average cost of housing would increase by \$85 from \$1,640.00 to \$1,725.00; this represented a 5.25 percent increase. A 10-Meal Plan would increase from \$968.00 to \$1,023.00, a 5.25 percent increase. The average cost of books would increase by \$31 from \$419.00 to \$450.00.

Mr. Kelly reported that the allocation of Undergraduate Resident Tuition Mandated Fee Distribution were as follows: Educational and General 82.31%, Bond and Renovation Revenue 6.92%, Transportation Fee 0.25%, Wellness Center 2.64%, Student Activities 1.76%, Student Health 3.80%, Computer Fee 1.01%, and Athletics 1.31%. Mr. Kelly stated that this breakdown reflected that the majority of the funds were distributed toward the education and research component, which was the core mission at the University.

Mr. Kelly stated that the Graduate School tuition increased by 6.9 percent, the Law School increased by 5 percent and the Medical School would increase by 9.8 percent.

Mr. Kelly gave a breakdown of tuition increases per semester for the following regional campuses:

USC Aiken tuition would increase by \$168 for resident and by \$336 for non-resident students.

USC Beaufort tuition would increase by \$263 for resident and \$578 for non-resident students. Mr. Kelly stated that Beaufort was still coming out of a financial model when it was a two year campus and, even with this increase, USC Beaufort was slightly less than the other four year campuses.

USC Upstate tuition would increase by \$271 for resident and \$548 for non-resident students.

Regional Campuses - under 75 credit hours: Mr. Kelly reported that there were four two-year campuses and there would be a \$108 increase for resident and \$276 for non-resident students. Mr. Kelly stated that students from regional campuses could take a Bachelor's degree course from a two year campus on one of the sister four year campuses. For example in Sumter, a student could receive a BS degree in Business at Sumter with the degree actually coming from USC Aiken.

Regional Campuses – 75 or more credit hours: Mr. Kelly stated that if a student took over 75 credit hours on a regional campus, the Bachelors degree fee requirement would be \$3,533 for resident and \$6,991 for non-resident students per semester.

Mr. Kelly reported the following summary of distribution changes on the USC regional campuses:

Aiken Campus:

Student Health: Full-time increase to \$32 per semester to cover inflationary increases and to provide additional 10 hours per week of health services to students. There was no part-time increase.

Athletic Activities: Full-time increase to \$190 per semester; Part-time increase to \$17 per credit hour to cover increased cost of Athletic Scholarships in proportion to tuition and fee increases on campus.

Academic Support Services: Remove current Mandated Fees; the academic support services fee would be eliminated; all of these services would be continued within the Education and General budget.

Beaufort Campus:

Campus Activities: Full-time increase to \$82 per semester; Part-time to \$9 per credit hour to add intramural and recreational activities for student life.

Athletic Activities: New Full-time rate at \$50 per semester; new part-time rate at \$4 per credit hour to establish athletic activities.

Upstate Campus:

Athletic Activities: Full-time increase to \$442 per semester; Part-time increase to \$37 per credit hour to remove reliance of "A" funds for athletic activities, including salaries; year two of two phase-in.

Lancaster Campus:

Renovation Reserve: Full-time increase of \$50 per semester to \$75; new part-time \$2 per credit hour to cover campus deferred maintenance.

Athletic Activities: New full-time \$10 per semester; new part-time \$1 per credit hour to begin athletics program.

Salkehatchie Campus:

Campus Activities: Full-time increase to \$20 per semester; part-time increase to \$8 per credit hour for additional funding for increased activities and increased enrollments.

Athletic Activities: Full-time increase of athletics fee to \$20 per semester; part-time to \$6.50 per semester to cover athletics programs.

Sumter Campus:

Renovation Reserve: Full-time increase to \$33 per semester; part-time increase \$2.75 per credit hour for additional funding for facilities projects.

Union Campus: No changes proposed.

Mr. Kelly summarized the Fee distribution changes for the Columbia Campus for FY 2007-2008.

Transportation Fee: The new full-time fee was \$10 per semester, part-time \$1.50 per credit hour to cover increased cost of operating shuttle bus service across campus.

Student Activities: full-time increase of \$2 from \$68 to \$70 per semester to cover SGTV - supported by Student Government; part-time \$.50 per credit hour.

Student Health Center: full-time increase of \$5 from \$146 to \$151 per semester as third year of three year approved budget from FY 2006. Beginning with FY 2009 budget development, this request would be annualized.

Athletics: full-time increase of \$20 from \$32 to \$52 per semester to cover increased costs for supporting gender equity.

Columbia Campus Budget - General "A" Funds:

Mr. Kelly summarized the budgetary changes for the "A" Fund Budget. The sources of funding included State Appropriations for three new, recurring initiatives: the Faculty Excellence Initiative (\$4.8 million); Estimated Pay Package, Health Insurance and Retirement (\$6,094,399); and \$2.2 million for Below-the-Line items which included the Palmetto Poison control, the Small Business Development Center and the Technology Incubator. Mr. Kelly stated that the student tuition increase for FY 2008 would generate \$12,075,000.

Mr. Kelly also stated that the funds would be allocated as follows: Academic Programs and Services (\$4.8 million); State Portion of "A" Fund Pay Package, Health Insurance and Retirement (\$6,094,399); and new Below the Line initiatives (5,759,375). The student tuition increase for Academic Programs and Services (\$845,740); Academic Support and Student Affairs Program (\$1.3 million); General Institutional Costs and Central Operations (\$3.3 million); USC Share of "A" Fund Pay Package and Health Insurance and Retirement (\$5 million); Mandated Fee Distributions (\$1.4 million); and the Non-recurring General Fund was \$1.5 million. Therefore, the total FY 2008 Allocation of Funds was approximately \$30.2 million and the Net General Fund Unallocated Carry forward Balance was \$3.9 million.

Mr. Kelly gave details of each line item of the "A" Funds budget.

He reported on the recurring funding recommendations for the USC Columbia Campus. The total for Academic Programs and Services was \$845,740 which consisted of \$500,000 for Dean recruitment and \$345,740 for University Libraries.

Mr. Kelly stated that the Total Academic Support and Student Affairs Programs was \$1,345,728 and gave the following breakdown of funds:

Scholarship 4% Fee Waiver Increase - In-State Undergraduate	\$403,792
Student Success Center	\$ 94,493
Accessibility/ Success for Students with Disabilities	\$145,237
Multicultural Student Affairs	\$124,888
Study Abroad/Campus Internationalization Program	\$332,510
Fellowships and Scholarships	\$ 98,106
Judicial Programs and Academic Integrity	\$146,702

Regarding the fee waiver, Mr. Kelly stated that the General Assembly allowed the University to use up to four percent of "A" funds toward scholarship support.

Mr. Kelly reported that the General Institutional Costs and Central Operations Costs for FY 2008 were \$3,360,048. This figure was slightly lower than last fiscal year.

The projected cost of utility increases was \$965,550 and insurance increases was \$211,421; Law Enforcement and Safety Enhancements was \$456,443 for software licenses and \$101,901 for an additional Law Enforcement and Safety Emergency Preparation Manager; the facilities, salary allocation plan was \$500,000. Mr. Kelly stated that the plan would allow the administration to take employees with good work ethic that were in the trade's labor positions and send them to Technical Colleges to create career paths for them to move up in their careers.

Mr. Kelly stated that Operation and Maintenance of the Arnold School of Public Health building was \$482,938. The Thomas Cooper Library was now open 24 hours a day and the increase in operational costs was \$95,470.

Mr. Kelly stated that two compliance officers were needed regarding Environmental Health and Safety. A Compliance Officer (\$65,250) to deal with OSHA and DHEC regulations and a Biosafety Program Officer (\$49,163) who would be shared with the School of Medicine and Biosafety programs. Mr. Kelly stated many of the NIH grants regulations were very complex and the grant type research that the University was doing now was also very complex. Therefore, it was necessary to bring in additional personnel to assist the University in those areas.

Mr. Kelly stated that \$179,000 would be used for the Web Presence Initiative on our campus. This program had been funded for two years and these funds were recurring dollars.

Mr. Kelly stated that the Board of Trustees Office budget consisted of two units that reported directly to the Board, the Office of Internal Audit and the Secretary of the Board. The Board of Trustees office was requesting a \$65,000 increase (\$50,000 in recurring dollars to replace one-time dollars in the Internal Auditor's office and \$15,000 for a third undergraduate commencement ceremony in May of each year).

Mr. Kelly stated that the Office of Human Resources Management was requesting \$37,000 to assist with the funding of international support for staff and faculty and the Legal Office was requesting \$150,000 for additional personnel to assist the attorneys in that office.

Mr. Kelly stated that when the General Assembly authorized a pay package for salary increases, it usually funded about two-thirds of the necessary total amount. The University's share of the Pay Package for Health Insurance and Retirement was \$5,073,484 and the total Mandated Fee Distributions were \$1,450,000.

Mr. Kelly gave a detailed report of each line item in the Source of "A" Funds which totaled \$484,034,859. The total funds which would be used were \$480,041,771 which would leave a Net General Fund Unallocated Carry forward Balance of \$3,993,088. Mr. Kelly stated that there were several new recurring and non-recurring Special Below-the-Line items:

New - Palmetto Poison Control Center (Recurring)	\$ 250,000
New - Small Business Development Center (Recurring)	\$ 250,000
New - Technology Incubator Project (Recurring)	\$ 200,000
New - One Carolina (Recurring)	\$1,500,000
New - One Carolina (Non-Recurring)	\$1,500,000
New - South Carolina Lightrail (Non-Recurring)	\$1,500,000
New - SC Institute of Archaeology and Anthropology (Non-Recurring)	\$ 354,375
New - Engenuity SC - National Hydrogen Assoc Convention (Non-Recurring)	\$ 100,000
New - Gibbes Green Renovation (Non-Recurring)	\$ 105,000

Mr. Kelly stated that the majority of University funds were received from Tuition and Fees. The breakdown in revenues were: Tuition and Fees (35 percent); Grants, Contracts, and Gifts (26 percent); State Appropriations (23 percent); Sales and Service Auxiliary Enterprises (13 percent); and Sales and Service Educational and Other Sources (3 percent). He stated that approximately 29 percent of expenditures were used for instruction.

The total USC System funds budget for FY 2008 totaled \$996,162,789.

Mr. Kelly stated that he had provided the committee with the FY 2007-2008 Preliminary Budget, a spread sheet showing the allocations and expenditures of the University system wide, and a complete listing of current funds and revenues.

Mr. Mungo made a motion to adopt the operating budget for FY 2008, as presented in the materials distributed to the Board, including tuition and fee schedules, the housing budget and associated fee schedules, the athletics budget, and the designated funds budget. Mr. Bradley seconded the motion. The vote was taken, and the motion carried.

Mr. Wienges made an inquiry about the Freshwater Initiative. Mr. Kelly responded that the Freshwater Initiative was previously known as the Congaree River Initiative and had received initial state funding in FY 2007. The initiative was funded by \$500,000 in recurring state funds and \$1.5 million in non-recurring

funds. The project was continuing into FY 2008, but the funding was now only the \$500,000 recurring amount.

Mr. Hubbard made an inquiry regarding the effects on the utility budget once the biomass plant was on-line. Mr. Kelly responded that the biomass facility would come online this fall and would provide approximately 80 percent of the natural gas that we use currently. The monetary difference would equate to approximately \$965,000 which would have an impact on our budgeting process.

Mr. Jones asked what would be the impact if the University gave resident tuition to all military dependents. Mr. Kelly responded that he would prepare an analysis and bring the information back to the Committee.

Dr. Floyd voiced concern that the tuition increase for the Law School was only 5 percent while the Medical School tuition would be increased by 9.8 percent and the general campus increased by 6.8 percent. He stated that the Law School tuition should be increased if for no other reason than to give scholarships to needy students.

President Sorensen stated that he had talked with Dean Pratt and Mr. Kelly. Based on those two conversations, they all believed that to increase the Law School tuition from 5 percent to 6.9 percent would make the Law School less attractive and less competitive in terms of admissions in comparison with in-state resident fees at neighboring states. Mr. Hubbard stated that the in-state tuition for South Carolinians was the highest in-state tuition of any public university in the South. In his opinion, in-state students were choosing to go to higher ranking Law Schools out-of-state to get their legal education at a cheaper rate than was possible in-state. Mr. Hubbard stated that the University had substantially raised the Law School tuition over a five or six year period and the University could not afford to lose anymore in-state students to out-of-state schools without the risk of dropping into the 3rd tier of Law schools. Mr. Buyck stated that he had no objection to raising the Law School tuition.

Mr. Wienges made an inquiry about the cost to attend the Law School in Charleston. President Sorensen responded that the amount was \$27,900 per year.

Mr. Mungo stated that graduate school should be more of a market circumstance. He stated that, "We owe everyone an undergraduate degree but don't owe, at taxpayers' expense, a second or third degree."

Other Matters: Chairman Adams stated that two committee members had experienced deaths in their families recently: Mr. Whittle lost his sister, Mrs. Civila McCarrell, and Mr. von Lehe lost his wife, Mrs. Harriett von Lehe. Chairman Adams called for a moment of silence in memory these two individuals.

Since there were no other matters to come before the Committee, Chairman Adams declared the meeting adjourned at 4:30 p.m.

Respectfully submitted,

Thomas L. Stepp
Secretary