

The official minutes of the University of South Carolina Board of Trustees are maintained by the Secretary of the Board. Certified copies of minutes may be requested by contacting the Board of Trustees' Office at trustees@sc.edu. Electronic or other copies of original minutes are not official Board of Trustees' documents.

University of South Carolina
BOARD OF TRUSTEES

Executive Committee

February 9, 2018

The Executive Committee of the University of South Carolina Board of Trustees met at 10:00 a.m. on Friday, February 9, 2018, in the Alumni Center's C. Edward Floyd Boardroom.

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

Other Trustees present were: Mr. Mark W. Buyck Jr.; Mr. Thomas C. Cofield; Mr. William C. Hubbard; Ms. Leah B. Moody; Ms. Rose Buyck Newton; Mr. Thad H. Westbrook; Mr. Mack I. Whittle Jr.; and Mr. Charles H. Williams; with Mr. J. Egerton Burroughs; Mr. Tommy Preston Jr.; and Dr. C. Dorn Smith III joining by telephone

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

Others present were: President Harris Pastides; Secretary J. Cantey Heath Jr.; General Counsel Walter "Terry" H. Parham; Chief Operating Officer Edward L. Walton; USC Advancement Team Leader Paul Harper Bethea; Provost Joan Gabel; Chief Financial Officer Leslie Brunelli; Vice President for Student Affairs Dennis A. Pruitt; Athletics Director Ray Tanner; Vice President for Information Technology Doug Foster; Vice President for Human Resources Chris Byrd; Vice President for Development Jancy Houck; Chief Communications Officer Wes Hickman; Vice President for System Planning Mary Anne Fitzpatrick; Palmetto College Chancellor Susan Elkins; USC Upstate Chancellor Brendan Kelly; USC Beaufort Chancellor Al Panu; USC Aiken Chancellor Sandra Jordan; Chief Audit Executive Pam Doran; Mr. Boyd B. Jones, Chair of the Educational Foundation Board of Directors; Mr. William C. Hammett Jr., Chair of the Development Foundation; University Treasurer Pat Lardner; Associate Vice President for Business Affairs Helen Zeigler; Executive Director of Economic Engagement William D. "Bill" Kirkland; Director of State Government Relations Derrick Meggie; College of Arts and Sciences Dean Lacy Ford; College of Engineering and Computing Dean Hossein Hossein Haj-Hariri;

Executive Associate Athletics Director Kevin O’Connell; Associate Vice President of Student Life Anna Edwards; Director of Campus Life and Russell House University Union Kim McMahon; Director of Capital Budgets and Financing Charlie FitzSimons; Director of State Government Relations Derrick Meggie; Director of Facilities Planning and Programming and University Architect Derek S. Gruner; Assistant Director of Facilities Design and Construction Thomas Opal; Executive Director of the Alumni Association Jack Claypoole; USC Aiken Executive Vice Chancellor for Academic Affairs Jeff Priest; USC Aiken Vice Chancellor for Finance and Administration Cam Reagin; USC Aiken Senior University Facilities Executive Brian Enter; Dick Galehouse, Justin Fay, and John Sugrue from Sasaki; The Boudreaux Group President Heather Mitchell; Watson Tate Savory Principal J. Sanders Tate; University Technology Services Production Manager Matt Warthen; and Board staff members Debra Allen and Terri Saxon.

Open Session

I. Call to Order

Chairman von Lehe called the meeting to order and stated notice of the meeting had been posted and the press notified as required by the Freedom of Information Act; the agenda and supporting materials had been circulated; and a quorum was present to conduct business.

Mr. Hickman introduced news media in attendance: Mary Ramsey with *The Daily Gamecock*.

II. Committee Appointment for Trustee Rose Buyck Newton

Chairman von Lehe said the first order of business was to elect the Board’s newest member, Rose Buyck Newton, representing the 14th Judicial Circuit, to serve on Board committees. He then called for a motion to elect Ms. Newton to serve on the Audit and Compliance Committee and on the Intercollegiate Athletics Committee. Mr. Mobley so moved and Dr. Floyd seconded the motion. The vote was taken, and the motion approved.

Chairman von Lehe added the appointments are effective immediately, with the term lasting until the Board’s August 17, 2018, meeting when all Board committee assignments will be redesignated.

III. Report of the University’s Educational Foundation and Development Foundation

Mr. Boyd B. Jones, Chairman of the USC Educational Foundation, and Mr. W.C. Hammett Jr., Chairman of the USC Development Foundation, joined Trustees at the table to report on the status of University Foundations. Mr. Jones opened by recognizing Trustee Moody who serves on the Educational Foundation Board and Trustee Buyck who serves on the Development Foundation Board. “We appreciate their service and value their leadership and what they bring to our organization.”

Mr. Jones noted with sadness the January death of University Foundations Executive Director Russ Meekins. When Mr. Meekins took the leadership position in 2012, the foundations had assets of nearly \$400 million. Today, he said, the foundations have assets in excess of \$800 million, and trends indicate growth is in the future. “He left us in very good shape.”

The foundations have a succession plan in place for guidance in the advent of an untimely absence or death of the executive director. That succession plan was implemented, and University Foundations Chief Financial Officer Kim Elliott was named Interim Executive Director. Ms. Elliott is a 17-year veteran of the foundations and she will serve while a national search is conducted to fill the position. Trustee Buyck will represent the Board of Trustees and the Development Foundation on the search committee. USC’s Chief Operating Officer Ed Walton also will serve on the search committee, which will work with the executive search firm of William Funk and Associates.

Mr. Jones proceeded to update Trustees on the Educational Foundation, a 501(c)(3) established to support the University in all its educational, instructional, scientific, literary, research, service, charitable and outreach endeavors. “It is our responsibility to provide a margin of excellence beyond that which could be achieved with just state supported funds,” he said.

The Educational Foundation has an unrestricted budget of \$7 million and provides the University with over \$5 million in support with unrestricted gifts, including \$1 million in unrestricted funds for general scholarships, \$1.2 million in other direct student support, \$1.8 million in faculty and presidential salary supplements, and \$1.2 million in advancement and fund-raising support.

The Educational Foundation’s endowment payout rate is 4.25% and today contains \$348 million in permanently restricted funds. In 2016, the Educational Foundation awarded \$10 million in scholarships. In 2017, that number increased to \$11.6 million – a 16% increase. The total program support from the Educational Foundation was over \$47 million in 2017.

In the fiscal year of 2017, the investment portfolio returns were 14.9%. The foundations’ Investment Committee, led by Allen Wright, and Mr. Meekins always liked to compare investment results with all the Southeastern Conference schools. We also like to include Harvard and MIT, Virginia and UNC. I want to let you know that every year we are at the top of the class, either No. 1 or No. 2 or No. 3.

Mr. Hammett echoed Mr. Jones’ appreciation for the invitation to update the Board on what is happening with the foundations. He told Trustees the title of University Foundations Executive Director would be changed to President and Chief Executive Officer to reflect what other universities have done with their foundation leadership.

The Development Foundation was established to acquire real estate and other special assets through gift or purchase on behalf of the University. It holds, develops, manages, and maintains these assets to serve the needs of the University as an independent 501(c)(3). “Our goal is to make the life of the University better in every way we can.”

Being independent, the Development Foundation can respond to market conditions very quickly to acquire strategic properties, such as the South Carolina Bookstore and the former Sandy’s restaurant. Another example of its ability to respond quickly is the 298 acres purchased on the river behind Gamecock Park, which ultimately will be used for intramurals and other activities. Currently, the Development Foundation has about \$230 million of assets, including The Inn at USC and 650 Lincoln.

Unlike the Educational Foundation, Mr. Hammett said, the Development Foundation receives little cash since gifts are typically property requiring maintenance and upgrading. Thus, the Development Foundation must borrow money. This creates concerns over how leveraged the foundation’s balance sheet gets. The Development Foundation, after building 650 Lincoln and the Innovation Center, has put quite a bit of debt on its balance sheet. Prudent steps are being taken to reduce this debt, he said, so the foundation can continue to respond when market conditions change, and strategic properties become available.

The amount of debt on the balance sheet is close to \$175 million as the Development Foundation has just started to amortize the debt associated with 650 Lincoln and the Innovation Center after having paid only interest for a while. The properties are generating sufficient cash flow to amortize the debt, he said, noting 650 Lincoln was 100% leased for the coming Fall.

One component of the Development Foundation’s strategic plan is to sell The Inn at USC to reduce some debt. The Inn at USC is a significant piece of property, Mr. Hammett said, which the Development Foundation would continue to control through its land lease that would be retained.

Trustee Mobley questioned whether the Foundations’ agreement with Fund Evaluation Group (FEG), was long-term with periodic reviews, and was it evaluated to avoid payment of excessive fees by the foundations. Mr. Jones was unable to address the length of the agreement, but said, if there was just cause the foundations could terminate its agreement with FEG. “We’re very pleased with the Fund Evaluation Group,” he added. “They’ve done an excellent job. The Investment Committee is pleased with the FEG team.”

Trustee Floyd expressed concern about Mr. Hammett’s comment about selling The Inn at USC, noting that without more information, he absolutely opposed the sale of The Inn. Trustee Whittle agreed.

Mr. Hammett explained that the Foundation would continue to hold its land lease, allowing control over the property. Mr. Hammett added the hotel market in Columbia was becoming extremely competitive and it was the right time to consider monetizing The Inn, which had appreciated significantly in value. “We’re considering it because we want to have the cash available for the next project you bring to us,” he told the Trustees.

In response to a question about how The Inn operated, Mr. Hammett explained the Development Foundation owned 80% of The Inn.

Trustee Burroughs said he believed more performance could be obtained from the operation of The Inn. Trustee Buyck asked that the Board enter executive session before continuing a discussion of The Inn.

Motion for Executive Session

Chairman von Lehe requested a motion and second for an Executive Session for proposed contractual matter regarding The Inn.

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

The following persons were invited to remain: President Pastides, Secretary Heath, Mr. Jones, Mr. Hammett, the President’s Administrative Council, and Ms. Doran.

Executive Session

Return to Open Session

IV. Contracts

Before calling on Mr. Parham, Chairman von Lehe welcomed Trustee Rose Buyck Newton to her first meeting. He informed her the Executive Committee elected her to serve on two committees – the Audit and Compliance Committee and the Intercollegiate Athletics Committee.

A. Gift Naming: T. Eston Marchant Jr. Classroom, School of Law

Mr. Parham announced this item would be handled by the Buildings and Grounds Committee for referral to the full Board.

B. Chonnam National University Memorandum of Understanding (MOU)

Mr. Parham said approval was sought for the Darla Moore School of Business (DMSB) to renew its MOU with Chonnam National University in South Korea. The current MOU, approved by the Board in 2015 will expire July 31, 2018.

The MOU creates a graduate, dual degree program under which students will have the opportunity to earn a Master's in Business Administration from Chonnam and an Executive International MBA from USC. A cohort of up to 30 students will be selected by the institutions to participate in the program each year. Students must meet the admission requirements of both institutions.

Students will study at Chonnam part of the time and USC part of the time, with each institution delivering not less than 50% of the course credit-hour requirements. Each institution is responsible for determining if the student meets the progression requirements for its degree. The one-year agreement may be renewed upon the mutual consent of the parties; however, students currently enrolled in the program will be afforded the opportunity to complete their dual degrees. DMSB anticipates that it will net approximately \$400,000 per year.

Chairman von Lehe called for a motion to approve the MOU with Chonnam National University. Mr. Mobley so moved. Mr. Warr seconded the motion. The vote was taken, and the motion was approved.

V. Adjournment

With no further matters to come before the committee, Chairman von Lehe declared the meeting adjourned at 10:37 a.m.

Respectfully submitted,

J. Cantey Heath, Jr.
Secretary