

MINUTES
SC STATE BOARD OF TRUSTEES SPECIAL MEETING
New Trustees Initial Meeting
LOWMAN HALL BOARD CONFERENCE ROOM
ORANGEBURG, SOUTH CAROLINA
MAY 20, 2015

CALL TO ORDER / OPEN SESSION:

Trustee Charles S. Way, Jr. called the meeting to order at 10:32AM. The public notice was read. The agenda (Attachment 1) was previously circulated to the members. Trustee Jeff Vinzani extended the invocation.

Trustees present: Mr. Charles S. Way, Jr, Mr. James E. Clark, Dr. Doris Helms, Mr. Milton Irvin, Mr. Donnie Shell, Mr. Steven Swanson, and Mr. Jeff Vinzani. *Ex-Officio Members:* Mrs. Vernell Brown and Mr. Reginald Dupree.

Administrators & others present: *Acting President, Dr. W. Franklin Evans; University General Counsel, Mr. Craig Burgess; Interim Vice President of Finance and Management, Mr. Edward Patrick; Vice President for Institutional Advancement and Public Relations, Ms. Sonja Bennett-Bellamy; Vice President of Student Affairs, Dr. Tamara Hughes, Vice President for Enrollment Management, Mrs. Betty Boatwright; Executive Director for Institutional Effectiveness, Dr. Rita Teal; Interim Provost, Dr. Learie Luke; Board's Legal Counsel, Mr. Kenneth Childs and Mr. Vernie Williams; Executive Assistant, Mrs. Shondra Abraham and Administrative Coordinator and Recorder, Mrs. Eartha Mosley.*

Media: *The Times and Democrat* Reporter, Mrs. Dale Linder-Altman; *WIS-TV* Reporter, Mr. Michael DeSumma; *WLTX*-Reporter, Ms. Jennifer Bellamy; *WACH* Reporter, Ms. Melanie Barden; and *Post and Courier*, Ms. Deanna Pan.

Trustee Way asked each board member to introduce themselves.

Trustee Vinzani stated that under the statute, which the new trustees were appointed only two ex-officio were appointed; however, under the board's bylaws there are several. He asked that ex-officio members present to introduce themselves. Present were *Staff President*, Ms. Kenita Pitts; *Faculty Senate President*, Dr. Thomas Cassidy; and *Real Estate Foundation Chairman*, Dr. Jesse Kinard. ***Trustee Vinzani made a motion to clarify that the ex-officio members not mentioned in the statute will continue to serve in their capacity. Trustee Swanson seconded the motion. Vote: unanimously approved.***

ELECTION OF OFFICERS

Trustee Vinzani made the motion to nominate Trustee Charles S. Way to serve as Chairman; the motion was seconded by Trustee Swanson. Vote: unanimously approved.

Trustee Swanson made the motion to nominate Trustee James E. Clark to serve as Vice-Chairman; the motion was seconded by Trustee Shell. Vote: unanimously approved.

The Trustees discussed whether a Board Secretary was needed at this point; there were no nominations so Chairman Way indicated that they would discuss this again towards the end of the meeting.

ADOPTION OF AGENDA

Chairman Way asked for a motion to adopt the agenda. Trustee Clark so moved and asked that they allow one hour for each agenda item. The motion was seconded by Trustee Helms. Vote: unanimously approved.

GENERAL OVERVIEW OF SC STATE UNIVERSITY (ATTACHMENT 2)

Chairman Way called upon President Evans to present an overview of where SC State is today. President Evans began with an introduction of his Cabinet Members, the Controller, Internal Auditor, the Board's Administrative Coordinator and the Board's legal counsel. He stated his commitment to move the University forward. A brief synopsis of the mission, history, organizational structure and quick facts were given. He conveyed the University is accredited by the South Association of Colleges and Schools/Commission on College (SACACOC). There are four components of Accreditation that the institution will be reviewed and must be in compliance: 1) Principle of Integrity 2) Core Requirements-must be in compliance or a sanction would be issued; 3) Comprehensive Standards–best practices; and 4) Federal Requirements.

In June 2013, the University was placed on warning and in June 2014, the University was placed on a very strong sanction, probation. Meaning SCSACOC felt the University was not in compliance with all Core Requirements. The University was given twelve months to develop and respond to a list of recommendations.

The following Core Requirements were found not in compliance: *CR 2.2* Board Governance; *CR 2.11.1* Financial Resources; *CS 3.2.7* Organizational Chart; *CS 3.2.8* Quality Administrator/Academic Officers; *CS 3.2.13* Institution-Related Entities; *CS 3.10.1* Financial Stability; *CS 3.10.3* Control of Finances; *CS 3.10.4* Control of Sponsored Research/External Funds; and *FR 4.7* Title IV Program Responsibilities.

Trustee Clark asked would SACSCOC consider the change of the new board structure and could a “Good Cause Statement” be submitted. President Evans replied at the June 9th meeting in Portsmouth, Virginia would be the time to make the presentation, provide all evidence that the University is moving in the right direction as well as providing the “Good Cause Statement” as to why the institution’s accreditation should remain intact.

President Evans indicated that *CR 2.2* Board Governance; *CS 3.2.7* Organizational Chart; *CS 3.2.8* Quality Administrator/Academic Officers were no longer issues of concern because the SACSCOC Team at their April visit found them to be in compliance. He conveyed that finance is still an issue. A response to the committee report will be sent to SACSCOC before attending the June meeting. The response is due May 24th.

The five-member group will address the following: *CR 2.11.1* Financial Resources; *CS 3.2.13* Institution-Related Entities; *CS 3.10.1* Financial Stability; *CS 3.10.3* Control of Finances; *CS 3.10.4* Control of Sponsored Research/External Funds; and *FR 4.7* Title IV Program Responsibilities. Trustees Helms and Clark asked should someone from the new board be part of the five-member team. President Evans replied it would be helpful for someone from the board to be a part of the team. It was decided that Chairman Way would be the Board’s representative on the SACSCOC team. 2010 was the University’s SACSCOC Reaffirmation, 2016 is also the University’s Five-Year Interim Review. The Commission's Board of Trustees would make the final decision whether to postpone the University’s Five-Year Interim Review opposed to having two proceedings going on concurrently. Chairman Way asked when could the Trustees receive the SACSCOC reports and responses from 2013 to present. Dr. Rita Teal replied that the Trustees would have the information by the close of the meeting.

President Evans stated the challenges the University is facing include: major budget deficit and cash flow; SACSCOC probation; Enrollment decline; and serious visible deferred maintenance issues. Trustee Helms asked what the amount of deferred maintenance was. Mr. Ken Davis, Facilities Manager, replied the amount is \$75M. Trustee Clark asked what of the deferred maintenance is a priority. Mr. Davis responded \$5M has been requested for the past two years to decentralize the campus. Mr. Edward Patrick also stressed the need to have two dormitories demolished that are a safety hazard and would cost \$300K for the project.

President Evans stated that in response to the school's budget crisis that the University implemented a spending freeze that contributed \$4.5M in budget savings. The University also imposed certain staff reductions and a furlough program that resulted in \$3M in budget savings. The University also reduced course offerings and its recruitment efforts have changed to create realistic enrollment, and it has targeted out-of-state students.

Mrs. Boatwright indicated that they hoped to get 2,650 students for Fall 2016 while the target number is 3,000 students. She indicated a 2% target of accuracy.

There was a question-answer period regarding the mandatory furlough, the number of University employees, the number of employees in the TERI program. Chairman Way requested a copy of the SC State University furlough proviso. There were also discussions about the SCSU Advancement Foundation and the University's constituents which consist of the SCSU Foundation, the SCSU Real Estate Foundation and the SCSU Board of Visitors. The trustees requested to receive the letter memo regarding the "Analysis of Funds Potentially Available for University Use" for the Foundation created by the University's General Counsel.

Dr. Jesse Kinard talked briefly about the SCSU Real Estate Foundation and University Village.

Discussion was had regarding the Blue Ribbon Committee's outstanding contributions.

FINANCIAL STATUS OF SC STATE UNIVERSITY

The State Budget Director, Ms. Brenda Hart, introduced Mr. Morgan O'Donnell as the Higher Education Budget Analyst for the Budget and Control Board Office (BCB) and then she informed the Board on the financial status of the University. As a way of background; each year the Budget and Control is required to monitor all public state agencies on a quarterly basis to determine if the agencies are working within their appropriated resources. The BCB has been focusing on the University's operating budget.

The BCB assisted the University with a \$6M loan after former President Thomas Elzey reported a projected cash shortfall by the end of fiscal year 2014. She reported the University has to repay the \$6M loan by the end of June 2015; however, the Senate Finance Committee did include a proviso that would grant a one-year extension of the loan until June 2016. Of the \$6M loan, the University has received \$5.5M. \$500,000 of the \$6M was designated for hiring consultants by the BCB. BCB contracted the Elliott Davis Firm to provide three reports regarding the institution. There remains a balance of \$200,000 of the \$500,000 designated for consultants. Trustee Clark asked would the BCB be open to recommendations regarding the remaining funds. Ms. Hart responded "yes".

The University has also been promised \$12M to be paid over a three year period through a Blue Ribbon Committee Budgetary Plan. The disbursements would be \$6M for the current year, \$4M for the next year and \$2M in the following year, respectively. The decision about when or if the school would receive the funding will be made by the Blue Ribbon Committee "working group." The Blue Ribbon "working group" will determine whether the operating budget is equal to zero or in the black. At present, the University has received only \$1.5M of the \$6M. Chairman Way replied that he will contact the "working group" regarding the remaining \$4.5M for the current year.

Ms. Hart shared that it appears that the institution may end the fiscal year in the black. Six major vendors account for 90% of the deficit (\$10M), which includes Sodexo (Food Services), DTZ (Facilities Management), Follett Higher Education Group (Bookstore), National Union Fire (Student Insurance), Ontario Investments, Inc. (State Leasing) and Ricoh USA, Inc. (Copier Services). The remaining \$1M is to satisfy smaller vendors.

ELLIOTT DAVIS REPORT (ATTACHMENT 3)

Mr. Tom McNeish and Mr. Brian D'Amico presented a PowerPoint presentation on the University's Cash Flow Forecast. Mr. McNeish recapped highlights from the Budget and Control Board Committee meeting on March 18th. The firm was asked by the Budget and Control Office to perform a short-term cash flow forecast for the University. He stressed the report is not an audit, nor a report to determine the deficit but rather a procedure which would capture the University's currency operations over a five-month period determining cash flow and accounts payable balances. A brief history was given for the past several years. From 2009-2013, the accounts payable and accrued expenses at fiscal year-end averaged approximately \$5.3M. By the end of June 2014, there was a huge jump to \$13.9M, which occurred due to financial dilemmas in making payroll and debt service payments; therefore, vendors were not paid. The University also received a \$6M State loan from the Budget and Control Board. The firm was asked to give short-term obligations in three scenarios (see attachment 3). In 2012, there was a significant turn due to changes in the Parent Plus Loan, Pell Grant, and negative press regarding certain Board members. In conclusion, during fiscal year 2014-2015, the University is forecasted to have accumulated approximately \$23.5M in debt to vendors and the State of South Carolina. A forecasted reduction in accounts payable and accrued expenses occurs only in scenario 3, and is funded entirely by an additional \$4.5M in advances from the State. The University also is forecasted to have less than 5% of unrestricted cash needed to meet short-term obligations at June 30, 2015. Going forward, the University will be required to significantly improve its operating margin in order to generate sufficient cash flows and build adequate reserves.

Mr. McNeish stated the firm is finishing an "Observation Report"; dealing with what was observed regarding good internal controls or the lack thereof. The report will be submitted to BCB by the June 16th meeting. Mr. Patrick shared that the only item lacking is additional training on "Banner" to retrieve data in a timely matter.

EXECUTIVE SESSION

Trustee Vinzani made a motion for the Trustees to enter into Executive Session to discuss Legal Issues. The motion was seconded by Trustee Clark. Vote: unanimously approved.

OPEN SESSION

Chairman Way asked for a motion to come out of Executive Session. *Trustee Vinzani made the motion to come out of Executive Session. Trustee Helms seconded the motion. Vote: unanimously approved.* Personnel and Legal matters were discussed in Executive Session and there were no votes or action taken while in Executive Session stated the Chairman.

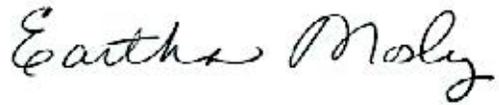
The next Board meeting is scheduled June 2nd at 10:00AM. Mrs. Vernell Brown circulated brochures regarding the National Alumni Convention to be held in July on the campus. She solicited participation from the Trustees.

ADJOURNMENT

Trustee Swanson made the motion to adjourn the meeting. Trustee Clark seconded the motion. Vote: unanimously approved.

The meeting adjourned at 4:02PM.

Submitted by,

A handwritten signature in black ink that reads "Eartha Mosley". The signature is written in a cursive, flowing style.

Eartha Mosley
Recorder

Attachments

- 1 – Agenda
- 2 – President Evan’s Power Point Presentation
- 3 – Elliott Davis Handouts