



MEMORANDUM

UNIVERSITY OF SOUTH ALABAMA

February 26, 2013

TO: USA Board of Trustees

FROM: Bettye R. Maye *BRM*
Secretary, Board of Trustees

Included herein are the unapproved minutes for the Board meetings held December 5 and 6, 2012, and February 1, 2013. Please review these documents for amendment or approval at the March 8, 2013 Board meeting.

BRM:mgc

Enclosures

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES MEETING**

**February 1, 2013
12:00 p.m.**

A meeting of the University of South Alabama Board of Trustees was duly convened by Mr. Jim Yance, Chair *Pro Tempore*, on Friday, February 1, 2013, at 12:05 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present Trustees Tom Corcoran, Cecil Gardner, Sam Jones, Jimmy Shumock and Jim Yance.

Members Participating Trustees Scott Charlton, Steve Furr, Christie Miree, Bryant Mixon,
by Phone John Peek, Ken Simon, and Steve Stokes.

Members Absent: Trustees Robert Bentley, Tommy Bice, Bettye Maye and Arlene Mitchell.

Administration Drs. Mike Boyd, Doug Marshall (Faculty Senate), Joel Erdmann,
and Others: Ron Franks, David Johnson and John Smith; Messrs. Parker Chastain
 (SGA), Wayne Davis, Stan Hammack, Don Langham, Tom Meyer
 (Faculty Senate); and Mss. Lynne Chronister and Kristin Daniels.

Press: Messrs. Allen Carter (WKRK), Brian Hulon (WPMI), Marcus Poe
 (WALA) and Gabriel Tynes (*Lagniappe*); and Mss. Cassie Fambro (*The Vanguard*), Modupe Idowu (WPMI) and Ellen Mitchell (*Press-Register*).

Chairman Yance convened the meeting and, given the involvement of some Trustees by phone and as a matter of record, representation was confirmed via roll call. He thanked everyone for their participation, and reminded the group of legislation allowing USA Trustees to vote by phone, and of quorum requirements. He provided an update on President Moulton's recovery from cancer surgery and aggressive follow-up treatments, which have delayed his return to duty. He reported recent visits with President Moulton, at his request, and announced President Moulton's desire to take a 90-day leave of absence for the purpose of continuing his recovery before returning to work. He said President Moulton recommended the appointment of an Acting President, and further recommended consideration of Dr. John Smith, Special Assistant to the President and Vice President for Student Affairs, to fill the position of Acting President. Upon his call for a motion, Mr. Shumock moved for the acceptance of President Moulton's request for leave. Mr. Gardner seconded and the motion was approved unanimously.

Chairman Yance, having confirmed receipt of a proposed resolution by all Trustees, called for presentation of the resolution by Mr. Corcoran. Upon the distribution of copies, Mr. Corcoran read the resolution authorizing the appointment of Dr. John Smith as Acting President, and moved approval. Mr. Gardner seconded and Chairman Yance called for further discussion. Judge Simon asked if the resolution should address the matter of pay. With inference to the terms of employment and to contractual provisions, Chairman Yance stated the addition of a provision for pay is not necessary, and acknowledged, for the record, that President Moulton's leave would include pay. To dispel any question on the matter, Mr. Gardner offered a motion to amend Mr. Shumock's original

motion to include the specification of leave with pay. Chairman Yance suggested that Trustees first consider the resolution, and called for the vote. The resolution was approved unanimously:

**RESOLUTION
TEMPORARY APPOINTMENT OF ACTING PRESIDENT**

WHEREAS, President Moulton will be taking a leave of absence of up to ninety days to continue his recovery from surgery, and

WHEREAS, President Moulton has requested that the Board of Trustees of the University temporarily appoint an Acting President, and

WHEREAS, President Moulton recommended Dr. John W. Smith for the appointment to this temporary position of Acting President, and

WHEREAS, Dr. Smith has considerable experience in all aspects of higher education administration, as indicated on the attached, and came to the University of South Alabama as Vice President for Student Affairs in 2008, as a result of a national search, and

WHEREAS, in addition to his position as Vice President for Student Affairs, Dr. Smith has also been the Special Assistant to the President since 2010,

THEREFORE, BE IT RESOLVED, that based on the foregoing, the Board of Trustees of the University of South Alabama hereby appoints Dr. John W. Smith as Acting President of the University of South Alabama until President Moulton's return to work or further action is taken by the Board of Trustees.

Mr. Gardner moved to amend the motion accepting President Moulton's leave to stipulate leave with pay. Mr. Corcoran seconded and the motion to amend as stated was approved unanimously.

Chairman Yance asked Dr. Smith if he would like to make remarks. Dr. Smith expressed gratitude for everyone's confidence in him to serve as Acting President. He stated the Administration is a strong, cohesive body that will continue to move the University forward pending President Moulton's return.

There being no further business, the meeting was adjourned at 12:14 p.m.

Attest to:

Respectfully Submitted:

E. Thomas Corcoran

James A. Yance, Chair *Pro Tempore*

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES MEETING**

**December 6, 2012
10:30 a.m.**

A meeting of the University of South Alabama Board of Trustees was duly convened by Mr. Jim Yance, Chair *Pro Tempore*, on Thursday, December 6, 2012, at 10:33 a.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present: Trustees Scott Charlton, Tom Corcoran, Steve Furr, Sam Jones, Bettye Maye (via phone), Christie Miree, Arlene Mitchell, Bryant Mixon, John Peek, Jimmy Shumock, Ken Simon, Steve Stokes and Jim Yance.

Members Absent: Trustees Robert Bentley, Tommy Bice and Cecil Gardner.

Administration and Others: Drs. Mike Boyd, Joe Busta, Phil Carr/Julie Estis/Doug Marshall (Faculty Senate), Joel Erdmann, Ron Franks, David Johnson, John Smith, David Stearns and Sam Strada; Messrs. Terry Albano, Keith Ayers, Owen Bailey, Parker Chastain (SGA), Wayne Davis, Stan Hammack, Mark Hoffman (NAA), Don Langham, Tom Meyer (Faculty Senate), Abe Mitchell, Norman Pitman and Steve Simmons; and Mss. Vanessa Brown, Lynne Chronister and Jean Tucker.

Press: Messrs. Evan Belanger (*Birmingham News*), Steve Alexander and Michael Reedy (WALA), Chad Pietri (WKRG), and Brian Hulon (WPMI); and Mss. Cassie Fambro (*The Vanguard*) and Christian Jennings (WPMI).

Chairman Yance convened the meeting and called for adoption of the revised agenda. On motion by Mr. Corcoran and seconded by Ms. Miree, the revised agenda was approved unanimously. Chairman Yance called for consideration of **ITEM 1**, the minutes of the September 10, 2012, meetings of the Audit Committee, Committee of the Whole and Board of Trustees. On motion by Dr. Stokes, seconded by Mr. Peek, the minutes were adopted by unanimous vote.

Chairman Yance presented **ITEM 2**, the President's Report. He gave an update on President Moulton's recovery, and talked about Fall Commencement taking place on December 15. Governor Robert Bentley will serve as Commencement Speaker and 1,614 degrees are expected to be conferred, bringing the University's historical total of degrees awarded to 73,900. Mr. Yance recognized Trustee Emeritus Don Langham, and made note of the number of alumni serving on the Board. He said the next Board meeting will be held on March 8, 2013, in conjunction with the Distinguished Alumni and Service Awards banquet on March 7.

Mr. Ayers detailed 50th anniversary events as photos were shown. Among the festivities featured were the dedication of Shelby Hall on September 9, USA Arts and History Day on October 14, and Homecoming events, including the dedication of the Moulton Tower murals and the unveiling of Wall of Honor plaques at Alumni Plaza on October 19. Trustees and guests were encouraged to attend the Holiday Concert set to follow the Board meeting at 6:30 p.m. at the Mitchell Center. Fiftieth anniversary celebrations will culminate with a gala on Friday, May 3, 2013. Mr. Ayers

reported on the commemorative 50th anniversary book in production, and a promotional video showcasing the University's history and growth was shown. The video will be used as a marketing tool in the community. Chairman Yance thanked the Administration for advancing the University's presence among local businesses and agencies. Mayor Jones added that USA plays a key role in attracting new industry. Chairman Yance recognized Mr. Mark Hoffman, NAA President.

Chairman Yance called for a report of health affairs items. Dr. Furr, Chair of the Health Affairs Committee, presented **ITEM 3** as follows. On motion by Dr. Charlton, seconded by Dr. Stokes, the resolution was approved unanimously:

RESOLUTION
USA HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS
FOR SEPTEMBER AND OCTOBER 2012

WHEREAS, the Medical Staff appointments and reappointments for September and October 2012 for the University of South Alabama Hospitals are recommended for Board approval by the Medical Executive Committees and the Executive Committee of the University of South Alabama Hospitals,

THEREFORE, BE IT RESOLVED, that the Board of Trustees of the University of South Alabama approves the appointments and reappointments as submitted.

Dr. Furr presented **ITEM 4** as follows (for copies of policies and other authorized documents, refer to **APPENDIX A**). On motion by Mr. Shumock, seconded by Dr. Charlton, the resolution was approved unanimously:

RESOLUTION
USA HOSPITALS MEDICAL STAFF BYLAWS AND RULES AND REGULATIONS
REVISIONS OF NOVEMBER 1, 2012

WHEREAS, revisions to USA Hospitals Medical Staff Bylaws and Rules and Regulations, approved at the November 1, 2012, Medical Staff meeting and attached hereto, are recommended for approval by the Medical Staffs and the Executive Committee of the University of South Alabama Hospitals,

THEREFORE, BE IT RESOLVED, that the Board of Trustees of the University of South Alabama approves the revisions as submitted.

Chairman Yance called upon Mr. Owen Bailey to present **ITEM 5**, a report on the activities of the USA Health System and the Division of Health Sciences. Mr. Bailey discussed progress toward completion of the Children's and Women's Hospital expansion, as photos were shown of the building exterior and interior. He thanked the Board for its support of the project and discussed features of the addition and the relocation of services as detailed in a fact sheet distributed. He stated that Ronald McDonald services will be provided in-house, and gave information about the Class Act program, whereby pediatric patients can maintain their school studies.

Dr. Furr called upon Dr. Boyd for presentation of **ITEM 6**, a report on the Mitchell Cancer Institute (MCI). He stated MCI's Executive Advisory Council, chaired by Dr. Bruce Chabner, conducted an intensive, first annual review of MCI operations October 24-26. An analysis of the site visit is expected in March 2013. Dr. Boyd introduced Dr. Busta to report on *Celebrate Hope*, the MCI's

premier annual fundraising event held November 15. Dr. Busta stated that Craig and Kelly Fowler served as chairs for the event, which has netted \$1.1 million in proceeds in its four-year history. Seven hundred tickets were distributed this year, with net proceeds projected to exceed \$335,000, making possible the purchase of a Nikon confocal super-resolution microscope, one of approximately 10 used nationwide. He said the University community can be proud of the benefits *Celebrate Hope* facilitates for the MCI and the community.

Chairman Yance called for consideration of academic and student affairs items. Ms. Miree, Chair of the Academic and Student Affairs Committee, called upon Dr. Johnson for presentation of **ITEM 7** as follows. On motion by Ms. Miree, seconded by Ms. Mitchell, the resolution was approved unanimously:

**RESOLUTION
PROFESSOR EMERITUS**

WHEREAS, the following faculty members have retired from the University of South Alabama:

Lary M. Dilsaver, Ph.D., Professor of Earth Sciences
Paul A. Helminger, Ph.D., Professor of Physics

and,

WHEREAS, in recognition of their contributions to the University through exemplary accomplishments in teaching and in the generation of new knowledge through research and scholarship, and for serving as an inspiring influence to students, and

WHEREAS, the faculty and chairperson from their departments, academic dean, the Senior Vice President for Academic Affairs, and the President have duly recommended the aforementioned retiree from the University faculty, and

NOW THEREFORE, BE IT RESOLVED that the Board of Trustees of the University of South Alabama in a seated meeting held on December 6, 2012, hereby appoints the aforementioned individuals to the rank of Professor Emeritus with the rights and privileges thereunto appertaining, and

FURTHER, BE IT RESOLVED that the Board of Trustees of the University of South Alabama in recognition of their accomplishments and dedicated service to the University of South Alabama wishes to convey its deep appreciation to these individuals.

Ms. Miree addressed **ITEM 8** as follows, noting that the resolution had been revised and distributed. She asked for comments from Dr. Johnson. On motion by Ms. Miree, seconded by Ms. Mitchell, the resolution was approved unanimously:

**RESOLUTION
SABBATICAL AWARDS**

WHEREAS, in accordance with University policy, proposals for Sabbatical Awards have been reviewed and recommended by the respective faculty committees, Departmental Chair, College Dean, and by the Senior Vice President for Academic Affairs and President,

THEREFORE, BE IT RESOLVED, that the University of South Alabama Board of Trustees approves said Sabbatical Awards on this date, December 6, 2012, for the 2013-2014 academic year.

<u>NAME</u>	<u>DISCIPLINE</u>	<u>TIME PERIOD</u>
Dr. Scott L. Douglass	Civil Engineering	Fall 2013
Dr. Sytske K. Kimball	Earth Sciences	Fall 2013
Dr. Cornelius Pillen	Mathematics and Statistics	Spring 2014
Dr. Ted L. Poston	Philosophy	Fall 2013
Dr. Christopher T. Raczkowski	English	Spring 2014
Mr. R. Tony Wright	Visual Arts	Fall 2013

Ms. Miree called for a report on the activities of the Division of Academic Affairs, **ITEM 9**. Dr. Johnson gave an update on the University's reaffirmation process with the Southern Association of Colleges and Schools (SACS), the University's primary accrediting agency. Dr. Johnson stated the process is one-third complete and on-track, with most compliance standards satisfied. An external panel has completed its review of USA's Compliance Certification Report, and has made recommendations, to which the University will respond by providing further documentation and policy adjustments to the SACS Commission on Colleges (SACSCOC) in February 2013. A SACSCOC site visit will follow in April.

Dr. Johnson reported on work by the University's Committee for Planning, Assessment and Finances to update the Institution's strategic initiatives previously set forth in the University's Long-Range Planning Goals and Objectives document for the period 2008-2013. The document, which incorporates the University's mission and vision statements, will be submitted to the Board of Trustees Long-Range Planning Committee for review and a recommendation to the Board of Trustees in June 2013.

Relative to funding challenges and shortfalls in state support, Dr. Johnson said efforts are under way to identify alternative revenue sources. He said a recommendation would be presented in the future on tactics and strategies to increase enrollment, with a focus on expanding recruitment areas. For the near future, Dr. Johnson discussed implementation of an enrollment growth strategy that calls for adding to the recruiting force; a Communication Center for student outreach to prospective students; improved communications with students and alumni via installation of CRM tracking software; and an expanded scholarship program to include students with ACT scores of 23. The goal is to increase the freshman class size by at least 10 percent, thus generating additional tuition revenue. Dr. Stearns said the effort thus far has reaped benefits, with 225 students having ACT scores of 30 or above admitted for fall, an increase over last year. With these efforts, he said an increase in higher-achieving students is to be expected as well. Chairman Yance remarked on USA's far-reaching student and alumni presence.

Ms. Miree called upon Dr. Smith for presentation of **ITEM 10**, a report on the activities of the Division of Student Affairs. As Board members viewed photos and drawings, Dr. Smith provided an update on construction projects. He said construction of the newest residence hall, set to open for the 2013 fall semester as a *Living Learning Community*, is slightly behind schedule. He discussed the interior renovation of the Student Center, noting that bids received in July were over-budget. With prior authorization by the Board for the President to award the contract, the specifications were modified and new bids ranging between \$6 and \$7 million were opened last week. The low bid was submitted by a Pensacola firm. Dr. Smith said improvements to this space for student activities is much needed, and the project will move forward soon.

Dr. Erdmann reported on the football program, noting completion of the fourth season in 2012 – the official second season in transition to the NCAA football bowl subdivision. As per regulations, this spring, USA will resubmit its football business plan to an NCAA peer review team, who will examine the University's capabilities to fully support a Division I football program. Notification of USA's satisfactory completion of the process to be bowl and NCAA championship eligible is expected as early as late spring. Dr. Erdmann discussed changes to the Sun Belt Conference membership, and stated the Sun Belt commissioner is exploring ways to expand the league. He announced that senior athlete Trey Clark, football center, was named *Academic All-American* by the College Sports Information Directors of America (CoSIDA).

Chairman Yance called for consideration of budget and finance items. Mr. Corcoran, Budget and Finance Committee Chair, presented **ITEMS 11 and 12**, noting compliance with SACS standards. He moved approval of **ITEM 11** as follows, Mr. Peek seconded and the resolution was approved unanimously:

RESOLUTION
AFFILIATION AGREEMENT BETWEEN THE UNIVERSITY OF SOUTH ALABAMA
AND THE UNIVERSITY OF SOUTH ALABAMA JAGUAR ATHLETIC FUND, INC.

WHEREAS, the University of South Alabama Jaguar Athletic Fund, Inc., ("USAJAF") was established as a non-profit, educational and charitable organization under Section 501(c)(3) of the Internal Revenue Code of 1986 for the purposes of serving the University of South Alabama ("University") and supports University and promotes its mission by, among other things, providing support to University's educational and athletic functions, including its athletic programs, and

WHEREAS, University and USAJAF have a history of interaction and cooperation that has served the interests of University, and

WHEREAS, University and USAJAF anticipate that University will provide USAJAF with specified services and facilities with which to carry out its responsibilities in exchange for the development, financial, and other service, support, and assistance USAJAF shall provide University, and

WHEREAS, the Board of Directors of USAJAF have approved the Affiliation Agreement as it defines the arrangements concerning services, facilities, premises, and activities between University and USAJAF, and

WHEREAS, the Board of Trustees of the University of South Alabama wishes to define the aforementioned arrangements with USAJAF as well,

THEREFORE, BE IT RESOLVED, that the Board of Trustees of the University of South Alabama hereby approves and adopts the Affiliation Agreement between University of South Alabama and the University of South Alabama Jaguar Athletic Fund, Inc., as attached hereto.

Mr. Corcoran moved approval of **ITEM 12** as follows, Ms. Miree seconded and the resolution was approved unanimously:

RESOLUTION
AFFILIATION AGREEMENT BETWEEN THE UNIVERSITY OF SOUTH ALABAMA
AND THE UNIVERSITY OF SOUTH ALABAMA NATIONAL ALUMNI ASSOCIATION

WHEREAS, The University of South Alabama National Alumni Association ("Association") was established as a non-profit, educational and charitable organization under Section 501(c)(3) of the Internal Revenue Code of 1986 for the purposes of serving the University of South Alabama ("University") and has as its mission "to support and positively influence the goals of the University through an active relationship with the University, its alumni, students and friends[, and] to provide comprehensive programs, services and resources to benefit the University, its alumni, students and friends," and

WHEREAS, University and Association have a history of interaction and cooperation that has served the interests of University, and

WHEREAS, University and Association anticipate that University will provide Association with specified services and facilities with which to carry out its responsibilities in exchange for the development, financial, and other service, support, and assistance Association shall provide University, and

WHEREAS, the Board of Directors of Association have approved the Affiliation Agreement as it defines the arrangements concerning services, facilities, premises, and activities between University and Association, and

WHEREAS, the Board of Trustees of the University of South Alabama wishes to define the aforementioned arrangements with Association as well,

THEREFORE, BE IT RESOLVED, that the Board of Trustees of the University of South Alabama hereby approves and adopts the Affiliation Agreement between University of South Alabama and The University of South Alabama National Alumni Association as attached hereto.

Mr. Corcoran presented **ITEM 13** as follows, noting the modifications outlined would result in cost savings for the University. He moved approval, Judge Simon seconded and the resolution was approved unanimously:

RESOLUTION
RESTATEMENT OF UNIVERSITY OF SOUTH ALABAMA
SUPPLEMENTARY RETIREMENT PLANS

WHEREAS, the University of South Alabama currently has two 403(b) retirement plans, the University of South Alabama Tax Deferred Annuity Plan, last amended in 2010, and the University of South Alabama Matching Plan, last restated in 2008, and

WHEREAS, merging the two 403(b) plans into one plan will allow for administrative economy with no adverse impact on the purpose of such a retirement plan, and

WHEREAS, the University of South Alabama, in 2004, authorized the establishment of a 401(a) Money Purchase Pension Plan, which was restated to comply with the administrative requirements of the Economic Growth and Tax Relief Reconciliation Act of 2001, said restatement having been submitted to and approved in September of 2012 by the Internal Revenue Service, conditioned upon the adoption of the restated plan,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby approves the merging of the two aforementioned 403(b) retirement plans into one plan which

is attached hereto and named the University of South Alabama 403(b) Plan and authorizes the President of the entity or other University Contract Officer to sign the plan adoption agreement, and

BE IT FURTHER RESOLVED, the Board of Trustees of the University of South Alabama hereby approves and adopts the attached Restated 401(a) Money Purchase Pension Plan, as submitted to and approved by the Internal Revenue Service, and authorizes the President of the University or other University Contract Officer to sign the plan document.

Mr. Corcoran called upon Ms. Chronister to report on the reorganization of the USA Research and Technology Corporation (RTC), **ITEM 14**. Referring to a printed summary, Ms. Chronister discussed grant activity for the 2012 fiscal year, noting 421 proposals from faculty and 198 awards totaling nearly \$57 million; invention disclosure, patent and license activity for the 2012 fiscal year resulting in \$1.85 million in gross royalty revenue; and changes in structure affecting the Office of Research, the RTC and the Office of Technology Transfer. Among the recommendations are renaming the Office of Research as Office of Research and Economic Development, reassignment of the South Alabama Medical Sciences Foundation to the RTC, and splitting the Office of Technology Transfer into separate entities: (1) the Intellectual Property Management Office and (2) the Center for Commercialization and Industry Collaboration, as a function under USA's Technology and Research Park. Ms. Chronister talked about collaborative efforts among the colleges, and addressed questions and comments.

With respect to **ITEM 13**, Mr. Corcoran called upon Mr. Peek to share remarks. Mr. Peek expressed gratitude for the contributions of USA employees – the backbone of the University. He acknowledged the vital role of Health System employees to the University's mission, while also asserting the Board's duty of maintaining the stability of the Institution, and a healthcare system that is sustainable. He said employee compensation should be given when fiscally responsible, and without risk to jobs. He noted that the budgets and revenue sources for the Health System and general University sectors are independent of one another, and each are regularly evaluated. Stressing the Board's and Administration's dedication to the long- and short-term financial health of the University, he moved approval of **ITEM 13** as follows, and Mr. Corcoran seconded. Chairman Yance expressed empathy for the disappointment of Health System employees, reiterating that the condition of the Health System budget, coupled with the uncertainties of state Medicaid and national healthcare reform, does not support a supplement for hospital employees at this time. He called for further comments. Ms. Vanessa Brown, Residency Program Specialist in the Radiology Department, was recognized, and she shared heartfelt words, urging Board members to reconsider a salary supplement for Health System employees. Chairman Yance shared understanding, as did Judge Simon, and he restated the Board's position to act in good conscience and in the University's best interest. He thanked Ms. Brown for sharing her perspective and called for the vote. The resolution was approved unanimously:

**RESOLUTION
ONE-TIME SALARY SUPPLEMENT
(UNIVERSITY GENERAL DIVISION)**

WHEREAS, the University has continued to sustain positive momentum in achieving its missions through careful management and the united efforts of its employees, and

WHEREAS, through the successful approach by the University General Division and the employees of that Division in the management of its resources, the University is in a position to give a one-time salary supplement to employees in the University General Division of the University,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby approves a one-time salary supplement in the University General Division for all current salaried or hourly regular faculty, staff and administrative employees of that Division, as defined by USA human resources policies, who were employed prior to June 1, 2012, in a lump sum of three percent of each employee's current annual base salary, with a minimum supplement of \$1,500 (of which permanent part-time employees will receive a prorated amount based on their full-time equivalent status) to be paid on December 14, 2012, through the payroll system by direct deposit, after mandatory deductions, including taxes and retirement, are made.

Mr. Corcoran stated that **ITEM 16** reports titled *Monthly Fund Financial Reports for July, August and September 2012*; *Quarterly GASB Financial Statement for the Twelve Months Ended September 2012*; and *Summary Comparison of Fund Financial Reports to GASB Financial Statements, September 30, 2012 and 2011*, were addressed during the Audit Committee/Committee of the Whole meeting held December 5. There was no further discussion.

With respect to the dual role served by the Budget and Finance Committee as Audit Committee of the Board, Mr. Corcoran, Committee Chair, presented **ITEM 17**, the KPMG audit reports for the year ended September 30, 2012. He stated the results were positive and that KPMG partners had delivered the required communications at the Audit Committee/Committee of the Whole meeting. He noted the process was completed more quickly than expected for an institution of USA's size. He thanked Mr. Wayne Davis and the staff involved for their efforts.

As Chair of the Development, Endowment and Investments Committee, Chairman Yance called upon Messrs. Albano and Pitman to report on endowment and investment performance, **ITEM 18**. Mr. Albano reported that the return for the 2012 fiscal year out-performed the relative index by .58 percent. The return from October 1, 2011, through September 30, 2012, was 14.72 percent vs. a relative index of 14.14 percent. Mr. Albano reviewed the asset allocation for the 2012 fiscal year and stated the specific allocations were in compliance with the University's investment policy. He discussed endowment performance since inception, noting a 4.22 percent return vs. the index of 3.48 percent, an out-performance of .74 percent.

Mr. Albano addressed **ITEM 19** as follows, which meets SACS requirements. On motion by Judge Simon, seconded by Mr. Corcoran, the resolution was approved unanimously.

**RESOLUTION
EVALUATION OF THE UNIVERSITY'S ENDOWMENT
AND NON-ENDOWMENT INVESTMENT POLICIES**

WHEREAS, the Southern Association of Colleges and Schools (SACS) requires that investment policies must be evaluated regularly, and

WHEREAS, the Board of Trustees has previously approved the University's endowment funds policies and guidelines and the University's non-endowment cash pool investment policy,

THEREFORE, BE IT RESOLVED, that the Board of Trustees of the University of South Alabama hereby acknowledges the current year annual evaluation of both policies by the Endowment and Investments Committee.

Chairman Yance called upon Dr. Busta to discuss **ITEM 20** as follows, which was reviewed and recommended by the Development, Endowment and Audit Committee at its meeting on December 5. Dr. Busta stated the recommended change follows best practices and benchmarks. The average endowment management fee is one percent and can be as much as two percent. The fee will help fund development activities. On motion by Mr. Corcoran, seconded by Mr. Peek, the resolution was approved unanimously with the proviso that overall economic and market conditions be conducive with the fee increase:

**RESOLUTION
ADJUSTMENT OF ENDOWMENT MANAGEMENT FEE**

WHEREAS, the University of South Alabama has an ongoing responsibility to build endowment assets to the financial benefit of the University, thereby strengthening its ability to enhance the quality of university programs, and

WHEREAS, the activities necessary to build and maintain the University's endowment require expenditures for costs associated with engaging financial management services; support for fundraising activities; management of the endowed gift process; liquidating of real property accepted as gifts where appropriate; and other such business-related expenditures, and

WHEREAS, the University has used the mechanism of a management fee on endowment assets to provide a stable source of funding for all such business activities related to acquisition of new assets and management for the growth of assets through prudent and strategic investment, and

WHEREAS, increasing the management fee assessed against the endowment assets from its current rate of 7/10 of one percent to one percent would provide a means of maintaining the momentum of development and alumni relations programming in the face of continuing declines in state appropriations, and be consistent with best practices among universities nationally,

THEREFORE, BE IT RESOLVED, the Board of Trustees, on the recommendation of its Development, Endowment and Investment Committee, authorizes the University to assess an annual management fee of up to one percent of total assets held in the endowment as of September 30 of each year and retroactive to September 30, 2012, and

BE IT FURTHER RESOLVED, the President is authorized to set the fee on various funds and designate the expenditure of resources generated by this management fee as appropriate through the University budgeting process for the purpose of supporting the university's development function.

Dr. Busta reported on development and alumni activities **ITEM 21**. He discussed the University's 2012 United Way Campaign led by Chair Dr. Richard Hayes, Dean - College of Education, and Vice Chair Ms. Carol Druckenmiller, Assistant Hospital Administrator - Children's and Women's Hospital, noting USA's drive as the largest of United Way's employee campaigns within three counties. Contributions from 2,400 University employees and retirees totaled \$266,679. Dr. Busta recognized Mss. Becky Tate and Jean Tucker, co-chairs of USA's United Way Women's Initiative.

Dr. Busta reported that the 50th Anniversary Campaign has been active for two years and two groups are driving the campaign's third year forward – the Alumni Leadership Council and the Business Leadership Circle. The latter, formed this year, includes 50 business leaders in the Mobile Bay area, whose charge is to encourage corporate birthday gifts. As of October 31, 37,589 gifts have been secured toward the campaign goal of 50,000, and 6,092 alumni have joined USA's National Alumni Association, exceeding the campaign goal of 5,000 new members.

Dr. Busta updated the Board on the “Made at the USA” direct mail campaign designed to encourage gifts from individuals who have benefitted from the University of South Alabama. Board members viewed the promotional piece, which will be mailed next week. Dr. Busta reported giving results for the 2011-2012 fiscal year. Eight-thousand, four-hundred and eleven donors made 13,177 gifts totaling \$12.9 million.

Returning to the topic of a one-time salary supplement and a suggestion from Ms. Brown that money used to construct buildings could be diverted to fund a supplement for Health System employees, Chairman Yance and Mr. Davis explained that money allotted for capital projects is subject to government restrictions on use, and cannot be expended for anything other than construction. Chairman Yance added that the economic limitations in this regard are frustrating.

Chairman Yance thanked Ms. Maye for participating by phone. Mr. Ayers recapped details of the Holiday Concert taking place at 6:30 p.m. at the Mitchell Center and urged Trustees and guests to attend.

There being no further business, the meeting was adjourned at 12:09 p.m.

Attest to:

Respectfully Submitted:

Bettye R. Maye, Secretary

James A. Yance, Chair *Pro Tempore*

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

**AUDIT COMMITTEE
COMMITTEE OF THE WHOLE**

**December 5, 2012
2:30 p.m.**

A combined meeting of the Audit Committee and the Committee of the Whole of the USA Board of Trustees was duly convened by Mr. Jim Yance, Chair *Pro Tempore*, on Wednesday, December 5, 2012, at 2:45 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present: Trustees Scott Charlton, Tom Corcoran, Steve Furr, Cecil Gardner, Christie Miree, Arlene Mitchell, Bryant Mixon, John Peek, Jimmy Shumock, Ken Simon, Steve Stokes and Jim Yance.

Members Absent: Trustees Robert Bentley, Tommy Bice, Sam Jones and Bettye Maye.

Administration and Others: Drs. Joe Busta, Phil Carr/Julie Estis/Doug Marshall (Faculty Senate), Ron Franks, David Johnson, John Smith and David Stearns; Messrs. Ken Davis, Wayne Davis, Stan Hammack, Mark Peach (KPMG) and Steve Simmons; and Mss. Lynne Chronister, Jean Tucker and Ashley Willson (KPMG).

Chairman Yance called the meeting to order and gave an update on President Moulton's recovery. With regard to the dual role of the Budget and Finance Committee as Audit Committee of the Board of Trustees, he called upon Mr. Corcoran, Committee Chair, to address **ITEM 16** reports titled *Monthly Fund Financial Reports for July, August and September 2012*; *Quarterly GASB Financial Statement for the Twelve Months Ended September 2012*; and *Summary Comparison of Fund Financial Reports to GASB Financial Statements, September 30, 2012 and 2011*. He said the information reported was routine, and related it to **ITEM 17**, the KPMG audit reports for the year ended September 30, 2012. Stressing that the past eight audits were designated by the auditors as "clean," he advised of one finding for Fiscal Year 2012. Mr. Mark Peach and Ms. Ashley Willson, KPMG partners, were introduced to deliver the required communications to the Audit Committee, as outlined in a printed summary which rendered an unqualified opinion of USA's financial statements. The one material weakness identified pertained to grant spending, and corrective action has since been administered, as has improvement to internal controls. Mr. Peach stated the audit process was smooth, and remarked that completion in six weeks is remarkable. He conveyed appreciation for the cooperation of University Management. Chairman Yance called for additional comments from Mr. Wayne Davis, who presented comparative financial data. A discussion of hospital funding issues began, and Mr. Hammack gave an update on the progress toward Medicaid reform in Alabama.

There being no further business of the Audit Committee, discussion by the Committee of the Whole commenced with Chairman Yance calling upon Mr. Corcoran for presentation of budget and finance items. Mr. Corcoran introduced Ms. Tucker, who addressed **ITEMS 11 and 12**, resolutions to adopt

affiliation agreements between the University and the USA Jaguar Athletic Fund, Inc., and the USA National Alumni Association, respectively (for copies of resolutions, policies and other authorized documents, refer to the USA Board of Trustees meeting minutes dated December 6, 2012). Ms. Tucker stated the agreements validate relationship parameters, meeting the recommendation of the Southern Association of Colleges and Schools (SACS), the University's primary accrediting agency. On motions duly made and seconded, the Committee agreed unanimously to recommend approval by the Board of Trustees.

Mr. Corcoran called upon Mr. Ken Davis to present **ITEM 13**, a resolution authorizing the merger of two 403(b) retirement plans into one plan; adoption of the Restated 401(a) Money Purchase Pension Plan, as approved by the IRS; and execution of the plan documents by the President or other University contract officer. Mr. Davis explained the changes would reduce administrative costs to the University. On motion duly made and seconded, the Committee agreed unanimously to recommend approval by the Board of Trustees.

Mr. Corcoran asked Mr. Wayne Davis to discuss **ITEM 15**, a resolution authorizing a one-time, three-percent, salary supplement for University general division employees hired prior to June 1, 2012, to be paid on December 14, 2012. Mr. Davis directed attention to pertinent documents and briefed Board members as to the funding mechanisms for the two major components of the Institution – the University general sector and the health sector. Each sector has different revenue streams that fund separate O & M budgets, a practice common at other institutions, such as UAB. He stated the hospitals' financial position, coupled with the uncertainties of state and national healthcare funding, does not support a supplement for Health System employees at this time. Options and viewpoints were discussed. Chairman Yance stated he has worked closely with the Administration on finding a solution. He further credited Health System employees for their efforts and dedication. Hospital closures in the state and nation were cited, a sign of the strained economic healthcare climate. Chairman Yance asserted that the protection of jobs is a top priority. Dr. Stokes suggested some means of encouraging disheartened employees. Chairman Yance said he had personally corresponded with hospital staff who had registered disappointment, and affirmed the Board's intent is to compensate Health System staff as soon as fiscally prudent.

Discussion turned to employee communications and methods for improvement, as well as the possibility of conducting the salary and evaluation processes for the different University sectors at different times. Mr. Wayne Davis discussed improvements to the hospitals' retirement plan that make for a more competitive fringe benefit for Health System employees, who make up 60 percent of the University's workforce. Mr. Davis reviewed cost-cutting measures, and he stated that, with a wide-range of factors causing fluctuation to the budgets, the Administration examines the finances on a regular basis. Mr. Peek echoed appreciation for the employees, and added that hard decisions are sometimes necessary. On motion duly made and seconded, the Committee agreed unanimously to recommend approval by the Board of Trustees.

Dr. Carr, Faculty Senate President, was recognized to report on a *State of the University* declaration to be prepared annually by the Faculty Senate President and Executive Committee, a provision of the updated Faculty Senate Constitution. He invited the Trustees to give input for the inaugural report expected in January 2013.

There being no further business, the meeting was adjourned at 10:12 a.m.

Attest to:

Respectfully Submitted:

Steven P. Furr, M.D., Vice Chair

James A. Yance, Chair *Pro Tempore*

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

DEVELOPMENT, ENDOWMENT AND INVESTMENTS COMMITTEE

December 5, 2012

1:30 p.m.

A meeting of the Development, Endowment and Investments Committee of the USA Board of Trustees was duly convened by Chair *Pro Tempore* and Committee Chair Mr. Jim Yance on Wednesday, December 5, 2012, at 1:42 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present: Trustees Tom Corcoran, Steve Stokes and Jim Yance.

Members Absent: Trustees Cecil Gardner and Ken Simon; and President Gordon Moulton.

Other Trustees: Trustees Scott Charlton, Steve Furr, Bryant Mixon, John Peek and Jimmy Shumock.

Administration and Others Drs. Joseph Busta, Phil Carr and Doug Marshall (Faculty Senate), David Johnson and John Smith; Messrs. Terry Albano, Wayne Davis, Brian Horner (Private Advisors), Matt Kinnear (Gerber/Taylor), Christopher Odyniec (CommonFund), Norman Pitman and Matt Vetto (Douglas Lane); and Ms. Jean Tucker.

Chairman Yance called the meeting to order and asked Mr. Albano to introduce the endowment managers for annual performance reports, **ITEM 18**. Mr. Albano recognized investment representatives Messrs. Christopher Odyniec from CommonFund, Matt Kinnear from Gerber/Taylor, Matt Vetto from Douglas C. Lane and Associates, and Brian Horner from Private Advisors. Each was given an opportunity to review performance results; share perspective and give an economic outlook; and address questions and comments from Board members.

Mr. Albano introduced Mr. Pitman to discuss international and small-cap investment performance. Mr. Albano presented endowment performance for Fiscal Year 2012, noting the return outperformed the relative index by .58 percent. The return through September 2012 was 14.72 percent vs. a relative index of 14.14 percent. Mr. Albano gave performance results since inception, stating the endowment outperformed the benchmark by .74 percent, with a return of 4.22 percent vs. 3.48 percent.

Mr. Albano presented **ITEM 19**, a resolution acknowledging the Development, Endowment and Investments Committee's evaluation of USA's endowment and non-endowment investment policies (for copies of resolutions, policies and other authorized documents, refer to the USA Board of Trustees meeting minutes dated December 6, 2012). He stated modification of the policies is not necessary. On motion duly made and seconded, the Committee agreed unanimously to recommend approval by the Board of Trustees.

Mr. Albano recommended ending the University's relationship with Arlington Partners, citing performance and a declining asset base as the primary reasons for dismissal. As recommended, and on motion by Mr. Corcoran, seconded by Dr. Stokes, the motion to release Arlington Partners of its management duties was approved unanimously by the Committee.

Mr. Albano proposed the engagement of PIMCO, and Mr. Pitman shared background about the company and its income fund. On motion by Mr. Corcoran, seconded by Chairman Yance, the motion to add PIMCO as a new endowment manager, with an initial investment of \$1 million, was approved unanimously by the Committee. Mr. Albano stated the investment would come from decreasing the overall weighting of CommonFund's Fixed Income Fund.

Chairman Yance called upon Dr. Busta to present **ITEM 20**, a resolution authorizing the assessment of an annual management fee of up to one percent of total assets held in the endowment as of September 30 of each year and retroactive to September 30, 2012. Further, the resolution authorizes the President to set the fee on various funds and designate the expenditure of resources generated by the management fee as appropriate through the University's budgeting process for the support of USA's development function. Dr. Busta reported that development activities are commonly funded by means of management fees to lessen any financial impact upon institutions. The average management fee is one percent. Chairman Yance stressed that the proposed fee, currently at up to 7/10 of one percent, may, at the President's discretion, be designated at up to one percent, depending upon economic factors and market conditions. He added this action is a positive move for the University. On motion duly made and seconded, the Committee agreed unanimously to recommend approval by the Board of Trustees.

There being no further business, the meeting was adjourned at 2:38 p.m.

Respectfully Submitted:

James A. Yance, Chair *Pro Tempore*
Chair, Development, Endowment
and Investments Committee