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University of South Carolina
BOARD OF TRUSTEES

Executive Committee

October 14, 2016

The Executive Committee of the University of South Carolina Board of Trustees met at 10:52 a.m. on Friday, October 14, 2016, in the C. Edward Floyd Boardroom at the Alumni Center.

Members present were: Mr. John C. von Lehe Jr., Chairman; Dr. C. Edward Floyd; Mr. Toney J. Lister; Mr. Hubert F. Mobley; and Mr. Eugene P. Warr Jr. Absent from the meeting was Mr. William W. Jones Jr.

Other Trustees present were: Mr. Chuck Allen; Mr. J. Egerton Burroughs; Mr. Mark W. Buyck Jr.; Mr. Thomas C. Cofield; Mr. A.C. "Bubba" Fennell III; Mr. William C. Hubbard; Mr. Miles Loadholt; Ms. Leah B. Moody; Mr. Tommy D. Preston Jr.; Dr. C. Dorn Smith; Mr. Thad H. Westbrook; Mr. Mack I. Whittle, Jr.; and Mr. Charles H. Williams.

Also present were faculty representative August E. "Augie" Grant and student representative Michael Parks.

Others present were: President Harris Pastides; Secretary Amy E. Stone; General Counsel Walter "Terry" H. Parham; Chief Operating Officer Edward L. Walton; Provost Joan T.A. Gabel; Chief Financial Officer Leslie Brunelli; Vice President for Student Affairs Dennis A. Pruitt; Vice President for Human Resources Chris Byrd; Vice President for Development Jancy Houck; Vice President for Information Technology William F. Hogue; Chief Communications Officer Wes Hickman; Executive Director of Audit & Advisory Services Pam Doran; Athletics Director Ray Tanner; Vice President for System Planning and USC Upstate Interim Chancellor Mary Anne Fitzpatrick; USC Aiken Chancellor Sandra Jordan; USC Beaufort Chancellor Al Panu; Palmetto College Chancellor Susan Elkins; Executive Director for the Office of Economic Engagement William D. "Bill" Kirkland; Associate Vice President for Business Affairs Helen T. Zeigler; Associate Vice President for Finance Jennifer Muir; Associate Vice President for Finance Kelly Epting; University Treasurer Pat Lardner; Senior Associate Vice President for Student Affairs and Academic Support Stacey Bradley; Associate Vice President for Housing and Student Development Gene Luna; Executive Director of University Housing Kirsten Kennedy; Director of Business Operation,

University Housing, Parker Leake; Director of Capital Budgets and Financing, Division of Administration and Finance, Charlie Fitzsimons; Audit & Advisory Services Assistant Director Glenn Murray; Managing IT Audit Consultant, Audit & Advisory Services, Roscoe Patterson; Senior IT Audit Consultant, Audit & Advisory Services, Richard Stingel; Executive Director of My Carolina Alumni Association Jack W. Claypoole; Director of Facilities Planning and Programming and University Architect Derek S. Gruner; Director of Strategic Planning and Assessment Cameron Howell; Director of Parking, Athletics Department, Jim Petrus; College of Education Dean Jon Pedersen; College of Engineering Dean Hossein Haj-Hariri; College of Pharmacy Dean Stephen Cutler; College of Arts and Sciences Senior Associate Dean for Natural Sciences Robert Thunell; Office of On Your Time Initiatives Director Shelley Dempsey; USC Aiken Executive Vice Chancellor for Academic Affairs Jeff Priest; USC Aiken Executive Vice Chancellor for Administration and Finance Joe Sobieralski; USC Beaufort Executive Vice Chancellor for Academic Affairs Eric Skipper; Mrs. Ann Loadholt, wife of Trustee Miles Loadholt; Chief of Staff, President's Office, J. Cantey Heath Jr.; University Technology Services Production Manager Matt Warthen; and Board staff members Debra Allen and Terri Saxon.

I. Call to Order

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

Mr. Hickman introduced members of the media in attendance: John Whittle with TheBigSpur.com; Scott Hood with GamecockCentral.com; and Josh Kendall and Cassie Cope with *The State*.

II. SEC Commissioner Greg Sankey

Chairman von Lehe called on President Pastides to introduce Southeastern Conference Commissioner Greg Sankey, who took office in June 2015, for an overview of the Southeastern Conference (SEC). Commissioner Sankey had met earlier in the morning with the University's Athletics Advisory Committee.

Mr. Sankey reminded Trustees that his first visit after being named commissioner had been to USC. He then thanked President Pastides, recognizing his importance as a leader at the NCAA level and as vice president of the SEC. He also recognized Ray Tanner, noting there are not many people with two national championship rings, especially two back to back, and citing his unique perspective of competing at the highest level as a coach and as an athletics director.

Mr. Sankey provided Trustees handouts that offered significant information about the SEC. He drew attention to a 3x5-inch card on which three words were prominent: Scholars, Champions, Leaders. With these words was the phrase: “Educating scholars and supporting champions provides the platform for developing leaders who will influence the world.”

“If we educate well and compete successfully, we know that people pay attention to us in a unique and different way because of the combination of intercollegiate athletics and college educational opportunities,” Mr. Sankey said, noting that the University had excellent examples of scholar athletes on its campus that the SEC was proud to feature under the SEC Scholars, Champions, Leaders banner.

One of Mr. Sankey’s handouts was titled “The SEC Approach” that summarized the essence of the SEC. The first of these was that student-athletes “tell us the SEC is distinct in providing them support to receive an education at a great university and compete at the highest level, in fact for national championships, often across the board.” He congratulated USC on the ranking of its Women’s Soccer Team and recognized three student-athletes by name: Mason Zandi, A’ja Wilson, and Duane Notice.

Another handout highlighted the academic collaboration among the conference’s 14 universities, an effort that he described as connecting the SEC university campuses and faculty beyond the field of play to develop future academic leaders. He then summarized the SEC television agreements with CBS and ESPN. He quoted the CEO of Disney (the Disney Company owns 80% of ESPN, which partnered with the SEC to create the SEC Network), saying that the SEC Network was the most successful launch of a cable TV network in cable television history, and going on to state that the SEC Network would remain strong and that its success so far would magnify itself.

Mr. Sankey also explained the SEC official replay review process and the bowl selection process. The final document among his handouts was a list of locations for the 2016-2017 SEC and National Championships. He concluded with announcing that viewers would begin seeing an SEC Graduate Patch. Although not mandated yet, young men and women from all sports would begin wearing a sash attached to the SEC logo when they graduate, which is a new endeavor to show the opportunity to earn an education that student-athletes have at SEC universities. Mr. Sankey said there also was a new ad campaign titled, “It Just Means More,” that was meant to provide a little of the feel for the real people who are part of the SEC and have been educated on the campuses of its universities whether or not they are student-athletes. Former USC Student Government President Lindsay Richardson is featured in one of these TV spots, he said.

Trustee Allen asked Mr. Sankey to comment on what was happening with the Players Committee suggestion related to the time limitation issue, particularly as it related to football weekly practice, which came out of the last NCAA Convention. Mr. Sankey offered an overview of the issue, noting that more ideas likely would surface as discussions continued on how to shape the time that student-athletes commit to athletics. He also responded to Trustee Allen that discussion of the NCAA disallowing spring football practice during spring break would likely be on the agenda again; noting that the SEC had opposed allowing practice during spring break, which Trustee Allen applauded.

Trustee Cofield also thanked Mr. Sankey for his visit and comments, observing that he hoped this season the SEC would “have our back” and that a successful USC Women’s Basketball Team would not be “shipped” to the likes of South Dakota. Mr. Sankey assured Trustees the SEC had communicated appropriately that it expects more for its teams. Mr. Sankey responded to Trustee Fennell that there had not been any East-West realignment discussions, nor discussions about the number of games and football scheduling.

Trustee Floyd asked whether the SEC would expand in the future and if it was considered, where would the SEC look to expand? Mr. Sankey said the SEC had been thoughtful and strategic in evaluations over time and would continue to do so if expansion were ever to become a central thought.

Finally, Faculty Representative Augie Grant expressed his thanks for efforts to establish SECU and especially the SEC Academic Leadership Development Program. He said he wanted to encourage the SEC and the presidents of its universities to use the SEC and the connections it has developed among its member institutions to find other ways to collaborate in teaching and in research to improve the student experience across the board and outside the playing fields.

Motion for Executive Session

Chairman von Lehe said there was a need for an Executive Session to discuss the potential purchase of real property, the potential lease of real property, and a proposed contractual matter related to the USC School of Medicine Greenville. Mr. Mobley called for the motion, which was seconded by Mr. Warr. The vote was taken and the motion passed.

The following individuals were invited to remain for the Executive Session: President Pastides, Secretary Stone, Mr. Parham, Ms. Gabel, Mr. Walton, Dr. Pruitt, Ms. Brunelli, Ms. Zeigler, and Ms. Doran.

Executive Session

Return to Open Session

III. Contracts

Chairman von Lehe reconvened the Executive Committee and called on Mr. Parham to present contracts.

A. SCE&G: Option Agreement for Purchase of Property

Mr. Parham said that the first item was for an option to purchase 14.63 acres of SCANA property, located off of South Assembly Street, Flora Street and Poe Street for the agreed upon sum of \$9,300,000. The option to purchase period will run through December 31, 2017, and may be extended until March 31, 2018, if USC needs additional time to get the necessary approvals from the State.

Chairman von Lehe called for a motion to approve the option agreement for the purchase property with SCE&G. Mr. Lister so moved. Dr. Floyd seconded the motion. The vote was taken and the motion was approved.

B. STM Charters, Inc. Flight Services Agreement

1. Men's Team
2. Women's Team

Mr. Parham said that the Athletics Department sought approval of two charter flight agreements with STM Charters, Inc. Under the agreements, STM will transport the Women's Basketball Team to 11 away games at a total cost of \$489,700 and will transport the Men's Basketball Team to 13 away games at a total cost of \$559,100.

Chairman von Lehe called for a motion to approve both flight services agreements. Dr. Floyd so moved. Mr. Lister seconded the motion. The vote was taken and the motion was approved.

C. S.C. Board of Cosmetology, USC Office of Continuing Education and Conferences

Mr. Parham said that the S.C. State Board of Cosmetology requires licensed cosmetologists to receive continuing education each year in order to retain their license. For many years the University's Office of Continuing Education Programs has served as the certifying agency for cosmetology continuing education credits. In fact, he said, the State-adopted regulations for the Board of Cosmetology specify that the University serves this function.

Under this four-year agreement, beginning January 1, 2017, the Cosmetology Board will provide USC's Office of Continuing Education Programs a list of approved courses and providers for those courses. The provider monitors the course and the attendance of participants, and forwards the attendance verification forms and evaluation forms to USC's Continuing Education Office along with a \$10 fee for

each participant who completed the course. The USC Continuing Education Office then produces a USC CEU Certificate for each participant who completed the course, and sends a list of course participants to the State Cosmetology Board. The office also maintains a data base of all participants. It is expected that the USC Continuing Education Office will issue approximately 60,000 certificates, which will equate to \$600,000 in revenue.

Chairman von Lehe called for a motion to approve the agreement providing continuing education for the S.C. Board of Cosmetology. Dr. Floyd so moved. Mr. Mobley seconded the motion. The vote was taken and the motion was approved.

D. CD/Park 7: Government Real Estate Lease Agreement

Mr. Parham said that approval was sought for a lease agreement between University Housing and Park 7 LLC. Under the agreement, the University will lease 152 furnished apartment units consisting of 424 beds at the new student housing apartment complex known as Park Place located at the intersection of Blossom and Huger Streets. The three-year agreement will begin August 1, 2017, and the University has the right to extend the term of the lease for four additional one-year periods. The total basic rental cost to the University will be \$11,035,551.54. Additionally, the University will be responsible for the electricity.

Chairman von Lehe called for a motion to recommend Board approval of the real estate lease agreement with CD/Park 7, effective August 17, 2017. Mr. Lister so moved. Mr. Mobley seconded the motion. The vote was taken and the motion was approved.

IV. Reassignment of BTRU Policy

– BTRU 2.00 University Environmental Policy Statement

Chairman von Lehe said that he was informed by Secretary Stone that a policy currently identified as BTRU 2.00 University Environmental Policy Statement would be better assigned as an administration policy for ongoing development, authorization and implementation. Therefore, he requested a motion to re-assign the policy.

Dr. Floyd made the motion and Mr. Mobley seconded it. The vote was taken and the motion was approved.

V. FY2016 Year-End Review

Chairman von Lehe called on Ms. Brunelli who was pleased to report that the FY2016 financial statement was completed with an unmodified opinion and Trustees had received a budget to actual review. This was an achievement she had been uncertain of accomplishing this spring due to the new

financial system; but the hard work of the Controller's Office staff, as well as the hard work of those in Finance and across the University made it possible. As the system has stabilized, she noted it was now possible to see efficiencies that the new technologies will bring.

She emphasized that the budget review is not a one-time event, but an ongoing process in which budget to actual is being reviewed weekly. She also noted the difference between the budget document that is done on a cash basis and the financial statement that is done on an accrual basis reflecting items such as depreciation and deferred revenue. She captured the difference by describing the budget document as the "living, breathing operating plan" and the financial statement is the "report card."

The year-end document, which was placed in the Board Portal, was reduced in size to provide more of what Trustees wanted to see such as total current funds, total "A" funds (operating budget) and comparing that to the prior year. There also was information on the auxiliary enterprises since they represent a significant portion of the budget, as well as information on all campuses. There was a variance of 2.42% on the FY2016 revenue across the system as more revenue was brought in than in the prior year. On the expenditure side, the variance was 0.17% with less spent than was budgeted.

In discussing system revenues for FY2016, Ms. Brunelli said that across all funds for USC Columbia revenues exceeded \$24.3 million. The biggest single item was about an \$11 million increase above budget in Athletics, which she said very conservatively does not budget SEC revenue until it is received in June. The other Columbia change was \$2 million in tuition that was carried forward into the budget cycle as the summer terms were up by about \$4.5 million as a result of the On Your Time initiative. Unit specific fees also were up by about \$3 million, she said. Indirect cost recovery was up by about \$2.5 million in Columbia. Enrollment increases on USC's four-year campuses also resulted in revenue increases.

On the expenditure side, Ms. Brunelli said USC Columbia was below budget by almost \$7 million, while Aiken was down slightly. USC Beaufort's expenditures were up as a result of enrollment increases that required increasing faculty numbers. Fund balances increased overall for FY2016, despite a budgeted reduction. Some of this resulted from timing issues, she said. Tuition and fees not budgeted increased "A" fund balances across the system by \$15.7 million. The Unrestricted Net Position increased by \$36.9 million across the system before the reduction for the pension liability. Total operating expenditures have remained around 5% over the past six years, but a portion of the drop to 3.6% in FY2016, she said could be attributed to units holding back on expenditures due to uncertainty with the new financial system.

She said more detailed information would be provided at the Board's retreat in January, including Columbia specific detail, more analysis with ratios, and the Comprehensive Annual Financial Report. Ms.

Brunelli wrapped up her report citing implementation of the OneCarolina PeopleSoft Finance system as the highlight of FY2016. The challenge for FY2017 would be further stabilization and operationalization of the system. Other challenges include implementing new FLSA overtime rules that are scheduled to go into effect in December 2016, as well as budget model revisions and planning for the last piece of OneCarolina, which is the HR/Payroll system implementation. In closing, she reviewed the FY2018 budget development calendar.

Chairman von Lehe said the FY2016 Year-End Review was received as information.

VI. Adjournment

Chairman von Lehe called for any other matters to come before the committee. There being none, Chairman von Lehe declared the meeting adjourned at 2:45 p.m.

Respectfully submitted,

Amy E. Stone
Secretary