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University of South Carolina
BOARD OF TRUSTEES

Executive Committee

October 12, 2017

The Executive Committee of the University of South Carolina Board of Trustees met at 1:35 p.m. on Thursday, October 12, 2017, in the JM Smith Boardroom at USC Upstate's Health Education Complex.

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

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; Mr. William C. Hubbard; Ms. Leah B. Moody; Dr. C. Dorn Smith III; Mr. Thad H. Westbrook; and Mr. Mack I. Whittle Jr.; with Mr. Tommy Preston Jr. and Mr. Charles H. Williams 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; Chief Financial Officer Leslie Brunelli; Deputy Provost Helen Doeringhaus; 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; Chief Communications Officer Wes Hickman; Vice President for System Planning Mary Anne Fitzpatrick; Palmetto College Chancellor Susan Elkins; USC Upstate Chancellor Bendan Kelly; USC Beaufort Chancellor Al Panu; USC Aiken Chancellor Sandra Jordan; Executive Director of Audit & Advisory Services Pam Doran; University Treasurer Pat Lardner; Executive Director of Economic Engagement William D. "Bill" Kirkland; USC Aiken Executive Vice Chancellor for Academic Affairs Jeff Priest; Director of State Government Relations Derrick Meggie; University Controller Mandy Kibler; Director of Financial Reporting, Controller's Office, Sandy Smith; Executive Director of the Alumni Association Jack Claypool; USC Upstate Provost and Senior Vice Chancellor

Clif Flynn; USC Upstate Vice Chancellor for Finance and Administrations Sheryl Turner-Watts; S.C.

Representative Steven Long of Boiling Springs; Ms. Patricia Moore-Pastides and Board staff member Debra Allen.

I. Call to Order

Chairman von Lehe called the meeting to order. He recognized S.C. Representative Steven Long and thanked him for attending. He then 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 confirmed no members of the news media were in attendance.

II. Election of Trustee to Health Affairs Committee

Chairman von Lehe announced Mr. Loadholt had resigned from the Health Affairs Committee earlier in the year in order to fill a vacancy on the Executive Committee. As a result, there was a vacancy on the Health Affairs Committee. He called on Mr. Lister who nominated Mr. Mobley to serve on the Health Affairs Committee. Mr. Loadholt seconded the motion. The vote was taken and the motion was approved.

III. Contracts

Chairman von Lehe called on Mr. Parham.

A. S.C. Department of Commerce/S.C. Small Business Development Center

Mr. Parham said in the State Appropriations Act for fiscal year 2017-18, the General Assembly appropriated \$500,000 to the South Carolina Department of Commerce to support the operations of the South Carolina Small Business Development Centers (SCSBDC). The Department of Commerce requests approval to accept the \$500,000 on behalf of SCSBDC.

The SCSBDC is funded by state and federal funds. This \$500,000, along with other state appropriated funds (\$791,734 this year), are used to receive a matching federal grant from the U.S. Small Business Administration to support the SCSBDC. USC is involved because the central office for the SCSBDC is located at the University and USC serves as the fiscal agent for the SCSBDC.

Chairman von Lehe called for a motion to approve the request from the S.C. Department of Commerce. Mr. Mobley so moved. Mr. Lister seconded the motion. The vote was taken and the motion was approved.

B. Ticketmaster Amendment

Mr. Parham said approval was sought for an amendment to an Athletics Department software and services agreement with Ticketmaster under which Ticketmaster was granted the exclusive right to sell tickets for all events at Athletics Department venues. The amendment grants Ticketmaster the right to handle event ticket re-sales.

Under the proposed amendment, Ticketmaster will create an online platform called “Exchange” which allows individuals who purchased tickets from Ticketmaster to an event being held in an Athletics Department venue to post their tickets for re-sale to third parties.

In exchange for allowing its re-sale software to be used, Ticketmaster will collect a fee from the ticket seller of up to 12% of the ticket posting price, and a fee from the third-party purchaser of up to 17.5%. Ticketmaster will pay the University 55% of all fees collected after credit card fees and applicable taxes. All other terms and conditions contained in the original master agreement apply. It is a five-year agreement, ending July 9, 2022.

Mr. Parham said this was a standard practice, noting the Athletics Department bid the re-sale function separately from the master agreement and increased the percentage of revenues it will receive compared to its previous contract. The Athletics Department estimates it will receive \$500,000 in revenue from Ticketmaster during the term of the amendment. Mr. Parham also noted South Carolina “scalping laws” do not apply to open market event tickets offered for resale through an internet website when the entity reselling the ticket guarantees to the ticket buyer, a full refund of the amount paid for the ticket if the event is cancelled or the ticket is not delivered.

Chairman von Lehe called for a motion to approve the Ticketmaster Amendment. Mr. Loadholt so moved. Dr. Floyd seconded the motion. The vote was taken and the motion was approved.

C. Gatorade Agreement

Mr. Parham said the Multi-Media Corporate Sponsorship Agreement between the Athletics Department and Gamecock Sports Properties (GSP) approved by the Board granted GSP the right to negotiate a new isotonic beverage agreement for Athletics Department venues, subject to the University’s approval of the proposed agreement. Approval is now requested for an agreement between GSP and Gatorade.

Gatorade and the Athletics Department have a long-standing relationship, with contracts having been approved since before 2006. During the five-year term of the proposed agreement, Gatorade will pay GSP \$525,000. Additionally, Gatorade will provide the Athletics Department with a product allowance of

\$200,000 per year for purchases of Gatorade products and/or merchandise on the Gatorade Team website.

In exchange for the cash and products, Gatorade will continue to be the exclusive sports beverage of the Athletics Department. Gatorade will provide Gatorade cups, coolers, ice chests, squeeze bottles, etc. which the University will place on the sidelines and in player areas of Athletics Department venues.

Additionally, GSP will provide Gatorade four tickets and two parking passes to home football, and men's and women's basketball games.

Chairman von Lehe called for a motion to approve the Gatorade Agreement. Mr. Warr so moved. Mr. Mobley seconded the motion. The vote was taken and the motion was approved.

D. STM Charters, Inc. Flight Services Agreement

1. Men's Basketball

Mr. Parham said approval was sought for a charter flight agreement with STM Charters, Inc. for men's basketball. Under the agreement, STM will transport the men's basketball team to 11 away games at a cost of \$487,900.

Chairman von Lehe called for a motion to approve the charter flight agreement for men's basketball. Mr. Loadholt seconded the motion. The vote was taken and the motion was approved.

2. Women's Basketball

Mr. Parham said approval was sought for a charter flight agreement with STM Charters, Inc. for women's basketball. Under the agreement, STM will transport the women's basketball team to 11 away games at a cost of \$462,800.

Chairman von Lehe called for a motion to approve the charter flight agreement for women's basketball. Dr. Floyd so moved. Mr. Warr seconded the motion. The vote was taken and the motion was approved.

E. USC Alumni Association Service Agreement

Mr. Parham said Board approval was sought to renew the services agreement with the USC Alumni Association. As before, the new services agreement recognizes that a strengthened and motivated alumni network will benefit the University in a variety of ways, most importantly in the areas of fundraising, student recruitment, advocacy, as well as enhancing student satisfaction with their college choice.

Under the services agreement, the Alumni Association agrees to assume responsibility for providing a number of enhanced services, beyond provision of the "core" alumni functions of membership processing and communications. These services will include enhanced advocacy efforts, continuing to

administer the University's successful Class Ring Program, assisting the Office of Admissions to recruit highly qualified children of USC graduates, supporting the Division of Student Affairs in the overall recruitment of qualified students by establishing partnerships with local alumni chapters, creation of a "Welcome to your City" program to connect recent graduates with other alumni, and matching students with alumni members working in their chosen field.

The term of the proposed agreement is December 19, 2017, to June 30, 2022. Significantly, the agreement provides that the University may terminate the agreement at any time upon notice to the Alumni Association, Mr. Parham said.

In exchange for the services to be provided by the Alumni Association, the University will pay the Alumni Association \$1,400,346 from December 19 – June 30, 2018, based on the current contract, and \$2,677,570 annually beginning July 1, 2018. Payment to the Alumni Association will be made in equal quarterly installments.

Chairman von Lehe called for a motion to recommend Board approval of the Alumni Association Service Agreement. Mr. Loadholt so moved. Dr. Floyd seconded the motion. The vote was taken and the motion was approved.

In response to a question from Student Government President Ross Lordo, Ms. Brunelli said the University used its portion of class ring sales to fund scholarships. Trustee Fennell commended the staff of the Alumni Association for the job it was doing and thanked President Pastides for pushing completion of the Alumni Center, which was a great asset to the University.

F. JDA Software, Inc. Gift Agreement

Mr. Parham said approval was sought to accept a proposed gift of educational software from JDA Software, Inc. to the Department of Retailing in the College of Hospitality, Retail and Sport Management.

JDA is a world leader in providing retail software. More than 4,000 retailers globally use JDA software. USC is one of a very limited number of schools in the country training its students on this software, providing University graduates a competitive advantage in the job market. Under the terms of the gift, the Department of Retailing will receive up to 200 licenses to use various JDA software components. The term of the license is three years and the gift is valued by JDA at \$6,252,000.

Chairman von Lehe called for a motion to recommend Board approval of the JDA software gift. Dr. Floyd so moved. Mr. Warr seconded the motion. The vote was taken and the motion was approved.

G. IBM Service Agreement

Mr. Parham said the Board approved an agreement with IBM on August 18, 2017, authorizing it to implement the Human Resources (HR) and Payroll module of what at that time was called OneCarolina. Implementation is scheduled for completion by the end of 2018. Board approval is now requested for a maintenance and support agreement under which IBM will provide 10 positions to maintain and support the HR-Payroll module once it has been implemented, in addition to four positions to maintain and support the already implemented Finance module.

The cost of the agreement is \$13,489,000. This amount was included in the budget the Board approved in June 2017 and which Mr. Foster discussed with Trustees during budget presentations. The University will not fund the 10 positions until implementation of HR-Payroll module is complete. Therefore, if the implementation date shifts, the amount paid under the contract will decrease.

This agreement is technically a Project Change Request – that is, an amendment to USC's 2014 contract with IBM. As such, the liability and indemnification protections afforded the University in that master agreement apply to this project, Mr. Parham said.

Chairman von Lehe called for a motion to recommend Board approval of the IBM maintenance and support agreement. Mr. Warr so moved. Mr. Mobley seconded the motion. The vote was taken and the motion was approved.

H. USC School of Medicine Greenville/Greenville Health System Memorandum of Understanding Addendum

Mr. Parham said Board approval was sought for an addendum to the master Memorandum of Understanding (MOU) between the USC School of Medicine (USC SOM) Greenville and the Greenville Hospital System (GHS) confirming the cost of the professional services and non-personnel expenses to be provided by the GHS to the USC SOM Greenville. The MOU further requires the cost of these services be within the budget as approved annually for the USC SOM Greenville by the Board.

The 2017-2018 Addendum estimates for the coming year GHS will provide the USC SOM Greenville professional services and non-personnel expenses not to exceed \$15,055,908, which is consistent with the budget approved by the Board.

Chairman von Lehe called for a motion to recommend Board approval of the addendum to the MOU between GHS and the USC SOM Greenville. Mr. Mobley so moved. Mr. Loadholt seconded the motion. The vote was taken and the motion was approved.

III. FY2017 Year-End Review

Chairman von Lehe called on Ms. Brunelli who presented a review of the FY2017 Year-End Budget, noting work continued on stabilizing the PeopleSoft financial system while adapting business processes to efficiencies identified in the new software. As a result, she said the financial staff had submitted best practices to the Southern Association of College and University Business Officers for the past two years, sharing their experiences to help others.

Ms. Brunelli told Trustees the budget document for FY2018 included a new appendix (Appendix 10), which is a “crosswalk” of how the budget relates to the financial statement. That document will be used next year, she said, to illustrate a variance analysis for the institution as a whole. She said the FY2017 Year-End Budget document details revenues and expenditures by campus as of June 30, 2017, as well as comparing the final year-end financial position to the FY2017 budget. Also included was a five-year enrollment summary by campus and term, as well as reviews of Columbia campus auxiliary enterprises, specifically Housing, Parking, the Student Health Center and Athletics.

All campuses and auxiliary enterprises operated within budget expectations for the fiscal year, with budget adjustments made during the fiscal year to account for changes in the recognition of revenues and expenditures. The continued stabilization of PeopleSoft finance system impacted operations throughout 2017. The result of implementing the software in a “live” environment led to changes in 70% of the program as the University’s financial staff learned to take advantage of the software.

A detailed presentation was provided Trustees illustrating actual collections were above budgeted revenues. For total current funds revenue for the system, budget to actual variance was 2.12%. For Columbia, the variance included special programs not budgeted such as Shorelight and Academic Partnerships, and increases in abatements, summer tuition, college-level fees and Athletics revenue. USC Aiken had a significant increase in tuition and fees above budget. For total current funds expenditures including transfers, the budget to actual variance was below budget for the system by 0.32%.

Ms. Brunelli recapped various fund balances that increased, as well as a decrease for the Student Health Center, which was reduced due to construction. Overall there was a \$37.7 million increase in unrestricted net position across the system before the reduction for the GASB 68 Pension liability, which has increased from more than \$711 million in FY2015 to more than \$751 million in FY2017. She said additional analysis would be provided in the Comprehensive Annual Financial Report (CAFR).

She presented charts illustrating an increase in total operating revenue from \$742.5 million in 2011 to over \$1 billion in 2017. Another financial performance highlight, she said, was the 75% increase in net

tuition and fee revenues since 2010. This was due to enrollment growth, an increase in non-resident enrollments as well as annual tuition increases. While total operating expenditures increased with the GASB 68 Pension liability, the increase also was a reflection of the increased costs of fringe benefits. To fully illustrate this, Ms. Brunelli detailed operating expenditures by function and classification over the past five fiscal years, noting the increased cost of fringe benefits and how utility costs had dropped due to mild weather over the past five years. On the classification side, she noted increased operating expenditures for institutional support in FY2015 and FY2016 were a result of implementing OneCarolina. Responding to Trustee Fennell's question about the increase in scholarship and fellowship expenditures, she said, part of the increase was due to a classification change as well as more funding such as an additional million dollars from the Athletics Department.

Ms. Brunelli recapped the key financial action in 2017 as stabilization of PeopleSoft Finance, preparation for implementation of the travel and procurement card modules in PeopleSoft, and the reorganization of Grants and Funds Management Office.

Challenges for 2018 will be the continued stabilization of PeopleSoft Finance, implementation of the HR-Payroll modules, planning for staff retirements and revision of the Columbia budget model. Responding to a question from Trustee Fennell about financial statements being reported on an accrual basis and the budget on a cash basis, Ms. Brunelli advised that PeopleSoft is the general ledger and additional software may be identified to fully implement a new budget model. The University budgets to the general ledger, but accrual entries are updated in the 13th month, fiscal year-end closeout period. Appendix 10 will provide a "crosswalk" from the budget document to the financial statement until a new model is fully implemented. She concluded with a review of the FY2019 budget development calendar.

Chairman von Lehe stated this report was received as information.

IV. Off-Cycle Fee Requests

Chairman von Lehe called on Ms. Brunelli to continue with the off-cycle fee requests. She indicated these were brought for approval in October for two reasons: the fee was missed during the June budget cycle or it is a fee a unit wants to implement as of January 1 in the new year.

A. Nursing, USC Aiken

Ms. Brunelli said approval was requested for an off-cycle fee request from USC Aiken to reduce tuition to \$306 per credit hour for the online RN-BSN degree with no additional nursing fees for both in-state and out-of-state students, to be effective January 2018.

Chairman von Lehe called for a motion to recommend Board approval of the USC Aiken off-cycle fee request. Mr. Mobley so moved. Mr. Loadholt seconded the motion. The vote was taken and the motion was approved.

B. Nursing, USC Upstate

Ms. Brunelli said approval was requested for an off-cycle fee request from USC Upstate for a reduction in tuition for the online RN-BSN degree offered through Palmetto College, adopting the in-state, full-time tuition of \$5,082 per semester, and the part-time tuition of \$423.50 per credit hour for both in-state and out-of-state students, to be effective January 2018.

Chairman von Lehe called for a motion to recommend Board approval of the USC Upstate off-cycle fee request. Mr. Lister so moved. Dr. Floyd seconded the motion. The vote was taken and the motion was approved.

C. Meal Plan, USC Sumter

Ms. Brunelli said approval was requested for an off-cycle fee request from USC Sumter to introduce a student meal plan at the Fire Ant Café, beginning Spring 2018. The optional plan can be purchased at a cost of \$150, \$400 or \$700 per semester and will allow students to use financial aid directly.

Chairman von Lehe called for a motion to recommend Board approval of the USC Sumter off-cycle fee request. Mr. Warr so moved. Mr. Mobley seconded the motion. The vote was taken and the motion was approved.

V. Other Matters and Adjournment

Chairman von Lehe called for any other matters to come before the committee. There being none, he declared the meeting adjourned at 2:20 p.m.

Respectfully submitted,

J. Cantey Heath, Jr.
Secretary