University of South Carolina
BOARD OF TRUSTEES

Executive and Governance Committee

December 17, 2019

The Executive and Governance Committee of the University of South Carolina Board of Trustees met at 10:05 a.m. on Tuesday, December 17, 2019, in the C. Edward Floyd Boardroom at the Pastides Alumni Center.

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

Other Board members present were Mr. Chuck Allen; Mr. J. Egerton Burroughs; Mr. Robert F. Dozier Jr.; Mr. William C. Hubbard; Mr. Richard A. Jones Jr.; Ms. Leah B. Moody; Ms. Rose Buyck Newton; Dr. C. Dorn Smith III; Ms. Molly Spearman; Mr. Thad H. Westbrook; Mr. Mack I. Whittle Jr.; and Mr. Charles H. Williams.

Also present were USC Columbia Faculty Senate Chair Mark Cooper and USC Columbia Student Government President Luke Rankin.

Others present were: President Robert L. Caslen Jr.; Secretary J. Cantey Heath Jr.; General Counsel Walter "Terry" H. Parham; Chief Operating Officer Edward L. Walton; Interim Provost Tayloe Harding; Vice President for Student Affairs Dennis A. Pruitt; Vice President for Human Resources Caroline Agardy; Athletics Director Ray Tanner; Chief Information Officer Doug Foster; Chief Audit Executive Pam Dunleavy; Presidential Faculty Fellow and Executive Assistant to the President Susan Bon; Interim Chief Communications Officer Jeff Stensland; Interim Chief Development Officer Will Elliott; Assistant to the President for System Affairs Eddie King; USC Aiken Chancellor Sandra Jordan; USC Beaufort Chancellor Al Panu; Palmetto College Chancellor Susan Elkins; Vice Provost and Dean of Undergraduate Studies Sandra Kelly; College of Arts and Sciences Dean Lacy Ford; University Controller Mandy Kibler; University Architect Derek Gruner; University Treasurer Pat Lardner; University Budget Director Joe Sobieralski; Associate Vice President for Administration and Finance and Medical Business Affairs Jeffrey L. Perkins III; Associate Vice President for Finance Kelly Epting; Senior Associate Vice President for Student Affairs and Academic Support Stacey Bradley; Associate Provost for Academic Programs Tena B. Crews; Executive Director of Military Programs and Strategies, Palmetto College, James Smith; Director for the Office of Economic Engagement William D. "Bill" Kirkland; Executive Director for Strategic Initiatives Jack Claypoole; Alumni Association Chief Executive Officer Wes Hickman; Department of Athletics Chief Financial Officer Jeff Tallant; Senior Deputy Athletics Director Chance Miller; Executive Associate Athletics Director for Development and Chief Executive Officer of the Gamecock Club Steve Eigenbrot; Senior Associate Athletics Director for Administration Chris Rogers; Office of Equal Opportunities Director Clifford Scott; Director of Public Policy and Advocacy Craig Parks; Director of Government and Community Relations Derrick Meggie; USC Aiken Professor Bridget Coleman; Cynthia Lister, wife of Trustee Toney Lister; Ann Loadholt, wife of Trustee Miles Loadholt; University Technology Services Production Manager Matt Warthen; and Board staff members Debra Allen, Lori Ritter, and Ina Wilson.

I. Call to Order

Chairman von Lehe called the meeting to order and stated notice of the meeting had been posted and the press notified as required by the Freedom of Information Act; the agenda and supporting materials had been circulated; and a quorum was present to conduct business. Secretary Heath confirmed no Trustees had joined the meeting by telephone.

Mr. Stensland introduced members of the news media present for the meeting: David Cloninger with *The Post and Courier*; Greg Hadley and Ben Breiner with *The State*; John Whittle with The Big Spur; and Collyn Taylor with Gamecock Central.

II. Contracts

Chairman von Lehe called on Mr. Parham to present.

A. Athletics Employment Agreement: Director of Football Strength and Conditioning

Mr. Parham said Athletics Director Tanner and Coach Will Muschamp sought approval of an employment agreement with Paul Jackson to serve as the Director of Football Strength and Conditioning. The two-year term of the contract would begin on approval by the Board on December 17, 2019 and end December 31, 2021.

Coach Jackson would receive total annual guaranteed compensation of $450,000, funded as a $300,000 base salary plus $150,000 in guaranteed outside compensation. Before making his recommendation, Mr. Tanner researched where this compensation package would rank among strength coaches within the Southeastern Conference (SEC). Based on last year's numbers, Mr. Parham said Coach

Jackson's salary would tie him for fifth in the SEC with Georgia. He would trail Tennessee, which paid $625,000 last year, Alabama paid $595,000, Texas A&M paid $575,000, and LSU paid $529,000.

The contract contains the same incentive-based compensation provisions as found in the University's other assistant football coaching contracts. Coach Jackson can earn incentive compensation if the team wins the SEC Eastern Division or the SEC Championship, and he can earn post-season bowl or playoff compensation if the team advances to that level. He will receive moving expenses and the use of an automobile.

Termination provisions are those found in the assistant coaching contracts where the University's obligation to pay his base salary and outside compensation will end on the effective date of termination for cause. For termination without cause, the University will pay in equal monthly installments an amount equal to Coach Jackson's total annual guaranteed compensation for the remaining term of the contract. There also is the University's standard mitigation clause where the University's obligation to pay is reduced dollar-for-dollar based on what a new coaching position would pay.

If he terminates the contract during the first year, he will pay the University $100,000 and he will pay $50,000 if he terminates during the second year.

Chairman von Lehe called for a motion and second to recommend approval by the full Board of the employment agreement for the Director of Football Strength and Conditioning. Mr. Mobley so moved. Mr. Loadholt seconded the motion.

Trustee Allen offered that the weightlifting coach at Iowa makes $825,000. Trustee Smith commented that Coach Jackson was instrumental in setting up the strength and conditioning program at LSU where the coaches thought very highly of him, adding he would be a great addition to USC.

In response to Trustee Floyd's question about how much more money it was costing the University, Mr. Parham said regarding the strength and condition coach position, Coach Jackson would earn $25,000 more per year than his predecessor. Mr. Parham confirmed there was a payout and a mitigation clause on the previous strength and conditioning coach, who earned $425,000 annually with another year left on his contract.

The vote was taken, and the motion was approved.

B. <u>Hamad Bin Khalifa University (HBKU), Qatar, Academic Collaboration Agreement</u>

1. <u>HBKU – Arnold School of Public Health: MS in Exercise Science</u>

2. <u>HBKU – College of Hospitality, Retail and Sport Management: MS in Sport and Entertainment Management</u>

Mr. Parham said the Academic Affairs and Faculty Liaison Committee approved earlier in the day two academic collaboration agreements with HBKU in Qatar. These agreements setup a joint Masters in Sports and Entertainment Management degree from HBKU and USC's College of Hospitality, Retail and Sport Management, and a joint master's in science degree in Exercise Science from HBKU and USC's Arnold School of Public Health.

During the five-year term of each agreement, HBKU will pay USC the sum of $1,600,000 for four cohorts of 10 students, regardless of how many of these students complete the joint degree program. Due to the amount of each agreement, under Board policy the agreements must be approved by the Executive and Governance Committee and the full Board. Mr. Parham recommended a single motion and refrained from additional description of the programs, which were described in detail in the Academic Affairs and Faculty Liaison Committee.

Chairman von Lehe called for a motion and second to recommend approval by the full Board of both academic collaboration agreements with Hamad Bin Khalifa University. Mr. Lister so moved. Dr. Floyd seconded the motion. The vote was taken, and the motion was approved.

C. <u>South Carolina Student Housing Lease Co., LLC Student Housing Lease Agreement</u>

Mr. Parham said University Housing sought approval of two Student Housing Lease Agreements. Under the agreements, which will be presented and voted on separately, the University will be guaranteed a certain number of beds in two private housing complexes in close proximity to the USC campus for use by incoming freshmen students in Fall 2020.

The first agreement is with South Carolina Student Housing Lease Co., LLC, which owns a student housing complex located at 1000 Whaley Street. The complex, now known as YOUnion, is the former Aspire Apartment Complex at the intersection of Assembly and Whaley streets.

Under the agreement, South Carolina Student Housing Lease Co. will guarantee 400 beds to University students for the 2020-21 academic year. One hundred beds will be in two-bedroom units, and 100 will be in two-bedroom units that house two students per bedroom. All rooms will be furnished, except USC will provide bunk beds for the 100 two-student/bedroom units.

This agreement and the next one to be presented are needed to address a shortage of on-campus rooms to accommodate USC's incoming freshmen next fall. Mr. Parham said the shortage results from the expected size of the freshman class; the fact that Cliff Apartment has been taken off-line as part of Phase 1 of the South Campus Village project, which eliminated 255 beds; the need to eliminate the practice of doubling-up students in Residence Hall mentor rooms, which is 250 beds; and the need to accommodate the "soft" commitment made to Honors College students that they will be given the opportunity to live on campus as upperclassmen if they so desire.

The University will treat the facility as if it is on-campus housing and students living there will be subject to USC housing rules and regulations, he said. USC residence life staff will live at the facility – USC will pay for these rooms – and provide assistance and support to students, conduct student-related programming on site, and offer personal assistance to students as they adjust to college life. There also will be quick service "grab and go" food available.

The University will identify and select eligible first-year students to be housed at the facility. The students – not the University – will sign a housing lease with South Carolina Student Housing Lease Co. But, the University will collect the housing fees from the students in the same manner that housing fees are collected from students living on campus – that is, the housing fee will appear on the student's bill along with tuition, fees, food service, etc. USC will remit those funds to South Carolina Student Housing Lease Co.

If the agreement is approved by the Board, a payment of $80,000 will be made within five days after execution of the agreement, Mr. Parham said. A payment for two months' rent or $696,800 will be made on June 1, 2020, followed by a payment of $348,400 on August 1 and each month thereafter for 10 months for a total cost of $4,260,800. Room costs for students will be comparable to rooms on the Horseshoe and at Park Place. USC is financially responsible to South Carolina Student Housing Lease Co. if any student defaults on his or her housing contract. The University will collect the balance due from the student as it does for students who default on on-campus housing contracts.

The University is also responsible for any room damage the students cause. However, the facility will require all students to purchase renter's insurance, which will cover at least a portion of any damages. The term of the agreement is for the 2020-21 academic year only and ends July 31, 2021.

Chairman von Lehe called for a motion and second to recommend approval by the full Board of the agreement with South Carolina Student Housing Lease Co., LLC. Mr. Warr so moved. Mr. Mobley seconded the motion.

In response to Trustee Whittle's question about the difference between what the University was paying the owner and what it was collecting from students, Mr. Parham said it was a dollar-for-dollar arrangement. In response to Trustee Burroughs' questions about liability, Mr. Parham said the owner of the facility is required to have general liability insurance and insurance that covers the condition of the facility, both of which were selected by the University after a review of items like safety, facility condition, security, proximity to campus, and availability of transportation.

The vote was taken, and the motion was approved.

D. TREA, Greene Crossing Student Housing Lease Agreement

Mr. Parham said the second student housing lease agreement for which approval was sought was with TREA, Greene Crossing, LLC. TREA owns a student housing complex located at 708 Pulaski Street. The complex is known as Greene Crossing and is located next to Park Place apartments.

The agreement is virtually identical to the agreement with South Carolina Student Housing Lease Co., LLC. Under this agreement, TREA will guarantee 300 beds to University students for the 2020-21 academic year. There will be 108 beds in three-bedroom units, and 192 beds will be in four-bedroom units. All units are fully furnished by TREA.

The terms and conditions are exactly as the same as with South Carolina Student Housing Lease Co., LLC except for the number of beds, which results in a total cost of $3,478,728 over the life of the agreement, Mr. Parham said. The University will treat the TREA complex as if it is on-campus housing, with all the same rules and regulations.

Chairman von Lehe called for a motion and second to recommend approval by the full Board of the TREA, Greene Crossing Student Housing Lease Agreement. Mr. Loadholt so moved. Mr. Lister seconded the motion.

In response to Trustee Floyd's question about the number of available apartment complexes close to campus, Vice President for Student Affairs Pruitt said there were a number, but many complexes were further away from campus. However, he added, developers are now trying to build as close to campus as possible. He identified the oversupply as being those complexes further from campus, which are not as desirable to students who now want to live within walking distance to campus.

Trustee Mobley asked what the University's housing deficit was and how the South Campus project would fulfill the shortfall. Dr. Pruitt said he would provide Trustees information on the room inventory now and what it would be when the South Campus comes online.

The vote was taken, and the motion was approved.

E. RMF Engineering, Inc. Professional Services Agreement

Mr. Parham said at the Board meeting in October, Derek Gruner and Jeff Perkins made a presentation regarding the Columbia campus' aging energy infrastructure and the need to develop a comprehensive plan to upgrade and/or replace failing components.

The first step in their tactical approach to this issue, was to obtain a Master Utility Plan through a third party that would evaluate the condition of USC's energy assets and identify significant issues, as well as build analysis plans for future growth.

The third party that will develop the Master Utility Plan has been selected through a competitive solicitation process, Mr. Parham said. Approval is requested for a professional services contract with RMF Engineering under which RMF will assess the current condition of the University's central energy plants, equipment and the distribution networks for steam, chilled water and electric systems.

The total value of the contract is $1,083,086. It is anticipated the Master Utility Plan will be completed within six months, at which time Mr. Parham said it would come back to the Board.

Chairman von Lehe called for a motion and second to recommend approval by the full Board of the RMF Engineering Inc., Professional Services Agreement. Dr. Floyd so moved. Mr. Warr seconded the motion.

In response to a question from Trustee Smith about how RMF was selected, Mr. Perkins said a competitive solicitation process was used which included a representative from the state engineer's office. From the initial request for proposals (RFP), four firms were selected and interviewed. Mr. Perkins confirmed for Trustee Burroughs that RMF was not involved with the University's biomass plant. Trustee Smith requested Mr. Perkins provide a list of the seven firms responding to the RFP, the four firms interviewed and the RFP committee members.

The vote was taken, and the motion was approved.

F. Sage Publications Online Services Agreement

Mr. Parham said University Libraries sought approval to renew its Master License Agreement with SAGE Publications, Inc. Under this agreement, University Libraries gets unlimited access, 24/7, to more than 1,000 electronic journals and databases. A listing of those publications was included in Trustees' agenda materials for the meeting, he said. These publications are available to University faculty, staff and students and researchers.

The three-year term of the contract begins January 1, 2020 and ends December 31, 2022 at a total cost of $912,639 to be paid from the Library Materials budget.

Chairman von Lehe called for a motion and second to recommend approval by the full Board of the Sage Publications Online Services Agreement. Mr. Mobley so moved. Mr. Loadholt seconded the motion. The vote was taken, and the motion was approved.

G. Collegiate Licensing Company, LLC (CLC) Athletics Trademark Licensing Agreement

Mr. Parham said approval was sought to enter into a new agreement with Collegiate

Licensing Company for the marketing, licensing, and enforcement of the University's trademarks.

CLC was selected after a competitive solicitation pursuant to the South Carolina Procurement Code. The company is the oldest and largest collegiate licensing agency in the U.S. and currently represents nearly 200 colleges, universities, bowl games, athletic conferences, The Heisman Trophy, and the NCAA. College clients include Auburn, Florida State, Georgia Tech, Alabama, Tennessee, Virginia, Maryland, Duke, UNC, Arkansas, Clemson, Florida, and Georgia. CLC has been the University's licensing agent for many years.

The term of the new agreement is 10 years ending September 30, 2029. In accordance with the State Procurement Code, the 10-year term had to be approved by the State Fiscal Accountability Authority.

Under the terms of the agreement, Mr. Parham said USC will receive 90% of the first $4 million in licensing revenues generated, 87.5% of revenues between $4 million and $8 million, and 90% of revenues more than $8 million. CLC also is obligated to pay the University a $600,000 signing bonus. The bonus must be paid within 30 days of the effective date of the contract.

And the contract grants USC "favored customer status," which means if CLC enters into a licensing agency agreement with another college that generates annual revenues within $350,000 of the annual revenues generated by the USC contract, and if the agreement provides that college with a better royalty split percentage more favorable than that which the University receives under this agreement, then CLC is obligated to offer the University the same more favorable royalty split percentage.

As for licensing revenue generated by the University, Mr. Parham said USC's gross revenues have been holding steady for the past three years at roughly $3.3 million per year of which USC receives 90% or $2.97 million.

However, in order to increase revenues, USC has authorized CLC to enter into an exclusive arrangement for primary apparel with Hanes Corporation under which Hanes will have the exclusive right to market primary apparel bearing USC marks, such as t-shirts, golf shirts, sweatshirts, etc. Non-apparel products bearing University marks (e.g., mugs, keychains, jewelry) are not covered by the Hanes deal. The University's current agreement with Under Armour also is obviated from the exclusivity being granted Hanes. And, the agreement with CLC continues to allow the University to purchase apparel bearing USC marks anywhere it wants if the apparel is to be used for internal purposes (e.g., t-shirt giveaways during student recruitment events).

By granting Hanes this exclusivity, Hanes has agreed to the following financial conditions that benefit Athletics:

- to provide a guarantee of not less than $1,850,000 in apparel royalties annually. This is important as the retail market is highly competitive and volatile.
- to pay a signing bonus to CLC of $1,500,000 in the first year of the contract – all of which will be remitted to Athletics. And this is in addition to the $600,000 CLC will pay.
- to advance royalty payments to CLC in the amount of $4,625,000 in the first year of the contract and to allow that $4,625,000 to be credited at a rate of $462,500 per year for the 10 years of the contract.

As a result of Hanes' deal with CLC, the University will receive approximately $9,274,294 in year one rather than $4,028,044 – an up-front increase of more than $5,246,250. USC estimates it will earn approximately $37.6 million in apparel royalties during the 10-year term because of the Hanes deal.

Chairman von Lehe called for a motion and second to recommend approval by the full Board of the Athletics Trademark Licensing Agreement with Collegiate Licensing Company, LLC. Mr. Lister so moved. Dr. Floyd seconded the motion.

Trustee Allen requested a list of all items that would be covered under the arrangement with Hanes. In response to Trustees questioning the wisdom of a 10-year contract, Athletics Director Tanner said the University has as good a deal as any University in the league. The only thing that increases the gross revenues for licensing is tremendous football success at a national championship level. Even in 2017 with wins by Men's and Women's Basketball, there was no sizeable boost in licensing revenue, he said.

Trustees expressed concern about Hanes' quality and the exclusivity of the deal with Hanes without a more upscale clothing line being available. Seeking to clarify Trustee concerns, Senior Deputy Athletics Director Chance Miller said Georgia just signed a similar deal with Hanes and that USC is one of a handful of schools (including Florida, Oregon and UNC) to embark on the exclusive apparel partner campaign, which does not exclude individual brands like Peter Millar from sublicensing from Hanes (the primary apparel partner). Hanes will not be the only maker; it will control the market so entities like Target and Walmart cannot drive down prices, Mr. Miller said.

Trustee Smith stressed that all price points should be represented. In response to Trustee Whittle's concern about other institutions receiving a better deal, Mr. Parham reminded him the "favored customer status" addressing royalties would provide a stop gap measure.

The vote was taken, and the motion was approved.

H. AT&T License Agreement, Amendment

Mr. Parham said the Division of Information Technology sought approval of an amendment to its 2012 Master Lease Agreement for Antenna Sites with AT&T, which was a revenue generating contract for the University. A 2012 Master Lease Agreement allowed AT&T to create a distributed antenna system (DAS) on USC buildings. This means AT&T erects an antenna on a building at a strategic location so University employees and students can receive cell coverage throughout that building – for example, in basements, etc. The University must approve in advance the placement of any proposed antenna.

Currently, there are 10 antenna towers on campus, located on the new football operations building, student health center, Williams-Brice Stadium, Darla Moore School of Business, Russell House, Honors College, West Quad, Colonial Life Arena, Thomas Cooper Library and the Coliseum. Under the new agreement, beginning February 23, 2020, AT&T will pay USC a site license of $750 per month per building. This is an increase from the current monthly license fee of $500.

The term of the agreement is five years, renewable for up to two, additional five-year periods unless either party gives 180 days prior notice, Mr. Parham said. Based on 10 antennas at $750 per month, the agreement will generate revenue of $450,000 per five-year term.

Chairman von Lehe called for a motion and second to recommend approval by the full Board of the amendment to the AT&T License Agreement. Mr. Mobley so moved. Mr. Loadholt seconded the motion.

In response to Trustee questions, Mr. Parham said Verizon did not have an antenna, but the agreement states AT&T is working in conjunction with Verizon. Trustee Williams asked to be provided what was being paid for antennas at other locations.

The vote was taken, and the motion was approved.

I. Tennis Facility Use License Agreement

Mr. Parham said the Athletics Department sought approval of a Facility Use License Agreement with the USC Development Foundation.

He said a developer, Harris Kahn who is a supporter of the Athletics Department and owns land at 523 Superior Street, which is across Rosewood Drive from the Athletics Department property, has agreed to build an indoor tennis facility on that property. The Development Foundation will buy the land and the tennis facility from the developer once construction is complete. Construction is expected to take six to eight months. The Development Foundation will use unrestricted funds donated to it by Athletics Department supporters to fund the cost of the acquisition. The acquisition cost is estimated to be in the range of $6.5 million.

Under the proposed agreement, the Development Foundation will license the use of the facility to the Athletics Department for use by the men's and women's tennis teams for practice and competitions and other events. The Athletics Department needs an indoor facility to be able to host championship events at the University, Mr. Parham said.

The facility will be available to the Athletics Department for 60 hours per week with all times and dates of usage to be set in advance and mutually agreed upon by the parties. The foundation will be responsible for all expenses associated with its ownership of the premises, including but not limited to property taxes, property and liability insurance, and maintenance and repair. The Athletics Department will not be charged a usage fee for the license, but will be responsible for all costs and expenses arising from its use of the premises, including janitorial expenses, utilities, repair and replacement of personal property such as tennis nets.

Chairman von Lehe called for a motion and second to recommend approval by the full Board of the Tennis Facility Use License Agreement. Mr. Lister so moved. Dr. Floyd seconded the motion.

Intercollegiate Athletics Committee Chair Whittle said it was his understanding the Athletics Department prepared the facility plans and specifications for bid and the project is now being done in the private sector for about 60% of what the original cost estimate was for the project.

Athletics Director Tanner said efforts had been underway to obtain an indoor tennis facility for over two years. Every school in the Southeastern Conference (SEC) has an indoor complex or access to one. This spring, he said the University would be required by the SEC to have an alternate location in case there was a rained out regular season event. Currently, plans are to rent space in Charlotte, N.C., to play tennis matches that cannot be played in Columbia.

A feasibility study for a location on campus came back at $12.7 million, Mr. Tanner said. The facility being discussed now would be under $7 million and utility costs would average about $85,000. The facility would have locker rooms and six indoor courts and would be near the current tennis facility.

In response to a Trustee question, Mr. Tanner said he could not explain the 60-hour limit because there is a 20-hour limit by the NCAA. Mr. Parham said the 60-hour limit may have been included so the Development Foundation could make the facility available for other purposes.

The vote was taken, and the motion was approved.

J. <u>Koger Center Endowment, Amendment</u>

Mr. Parham said in 1992 the Board of Trustees established the Koger Center Endowment within the University with initial funding for the endowment coming from the net proceeds of 1992 uses of Williams-Brice Stadium for non-athletic events. At the same time, a parallel endowment for the Koger Center was established in the Educational Foundation for donors who wished to make contributions to a private foundation rather than the University. Both accounts are quasi-endowments since they were created by the University rather than a specific donor.

When these endowments were created in 1992, Mr. Parham said the Board directed that both endowments would be managed together until such time as the amount of the combined principal of both generated $250,000 in earned income per year. In 1994, Board minutes reflect the combined endowments had to reach $5 million before interest on the principal could be spent.

The difference in the language in the Board minutes may be explained by the simple fact that at that time, the payout rate was 5% which, on $5 million, would general $250,000, Mr. Parham said. Either way, once the threshold was reached, the interest could be used to fund "Koger Presents" programs and other activities at the Koger Center. But until then, all earnings generated by the principal had to be added to the principal.

For the past 10 years, only $5,242 has been contributed to the endowments from new private donations. Otherwise, the only increase to the principal has been the reinvested annual earnings. As of the end of FY 2018-2019, the combined fund balance from the two accounts was $4,267,777.40.

The Koger Center for the Arts is now managed as a unit of the USC School of Music. Thus, Mr. Parham said the School of Music and Interim Provost Harding sought Board approval to amend the two endowment agreements to remove the restriction that interest on the endowment funds cannot be used until the principal reaches $5 million or until $250,000 in earned income is generated per year.

Interim Provost Harding is not seeking access to the principal, Mr. Parham said. He wants access to the interest being generated to hire someone who will be tasked with raising private donations to support Koger Center activities so that the endowment goals of $5 million principal/$250,000 annual interest can be reached. The Koger Center does not currently have a dedicated development officer, which might explain why only $5,242 has been raised in 10 years, Mr. Parham said. He added that the Koger Center also needs funding to support its activities. For example, amending the endowment to allow the School of Music to access the interest generated each year also would allow the Koger Center to re-establish the Koger Presents series in 2020 – which consists of three to four events produced by the Koger Center. These events provide programming for the community and an opportunity for external giving and philanthropy.

Chairman von Lehe called for a motion and second to recommend approval by the full Board of the amendment to the Koger Center Endowment. Mr. Loadholt so moved. Mr. Lister seconded the motion.

In response to Chairman von Lehe's question of whether such a change could be made to an endowment, Mr. Parham explained the change was allowed to a quasi-endowment, which the Board created and controls, unlike an endowment created by a private donor that is restricted to the donor's wishes. Interim Provost Harding confirmed for Trustee Westbrook that the School of Music has a development staff, but their duties do not include work for the Koger Center. He confirmed for Trustee Floyd that 4% of the principal's earning is expected to be available annually.

Trustee Moody requested Jason Caskey, President and Chief Executive Officer of University Foundations, be asked to address the Board about issues facing the Educational and Development Foundations that were expressed at a recent meeting of the Educational Foundation board on which she represents the Board of Trustees. Additional discussion resulted in a clarification that Trustees wanted information related to the return on the investment as it relates to the productivity of development staff and how much private support it generates compared to best practices. Interim Provost Harding said that could be done for the Koger Center Endowment following approval of the amendment, Mr. Caskey could be asked to report on all the Foundations' investments. Chairman von Lehe asked that this be done.

The vote was taken, and the motion was approved.

K. Parchment, Inc. Services Agreement

Mr. Parham said the Office of the Registrar sought approval to renew an online transcript ordering system provided by Parchment, Inc.

Parchment has a statewide contract and pursuant to state procurement regulations, he said and the University can "piggy-back" on the state contract. The University has been using Parchment since 2013. Its system allows a student or former student to log-in, provide appropriate verification information, and order an electronic transcript or direct that their electronic transcript be sent, for example, to graduate schools to which they are applying, or to prospective employers.

The electronic transfer is secure and helps eliminate fraud by preventing students from altering the PDFs. It is quick and saves time over the traditional mailing process. The system also allows the registrar to track where and how often students send out their transcripts as well as whether the documents have been accessed by the recipient.

When a student or former student requests a transcript, Parchment collects a $12 fee from the requestor. Parchment keeps a $2.85 ordering and delivery fee and remits the remainder to the University. The cost of the five-year contract is estimated to be $570,000. Transcripts for all system campuses are handled by the Registrar and currently 50,000 e-transcripts are processed annually.

Chairman von Lehe called for a motion and second to approve a services agreement with Parchment, Inc. Dr. Floyd so moved. Mr. Warr seconded the motion. The vote was taken, and the motion was approved.

L. Technolutions, Inc. Service Agreement

Mr. Parham said the Office of Undergraduate Admissions sought approval to renew its current agreement with Technolutions, Inc. Technolutions provides the Constituent Relationship Management (CRM) software system called SLATE.

SLATE was developed exclusively for higher education and is the most comprehensive CRM in the industry, with the ability to handle all aspects of admissions in a single system. The Admissions Office has been using SLATE for the past five years as a student information system to create, track, and manage student prospect and application files. Once a student indicates any interest in attending USC, or once the University identifies them as a prospect, SLATE is utilized to initiate contact and manage USC's recruitment outreach to that student. This process includes:

- Performing recruitment-related travel and territory management, as well as reporting and predictive modeling, to support USC's recruitment efforts.
- Sending out customized communications (email and texts) to provide the student with information about USC.
- Ensuring the student receives outreach materials and event invitations that are relevant to his/her interests and grade level.
- Logging all communication with the student (e.g. phone calls, recruitment event attendance, admission, and scholarship decisions).
- Allowing the student to apply to USC through the CRM (SLATE serves as one of USC's three application platforms, along with the Common App and Coalition platforms).
- Collecting and processing the student's application and associated documents (e.g. high school transcript) to render an admissions decision.
- Releasing admission and scholarship decisions online through the CRM.
- Serving as a portal for high school guidance counselors to track their student outcomes.

This system is also valuable, for example, when the University receives a complaint from a parent that the University has not contacted his or his child regarding attending USC. Using this database, Mr. Parham said, Admissions can establish when, how often and in what form the University has communicated with the prospective student.

The total cost of the five-year contract is $625,000.

Chairman von Lehe called for a motion and second to approve a services agreement with Technolutions, Inc. Mr. Warr so moved. Mr. Mobley seconded the motion. The vote was taken, and the motion was approved.

M. IBM Services Agreement, Amendment

Mr. Parham said in 2017 and 2018, the Board approved agreements between the USC Division of Information Technology (DoIT) and Gideon Taylor under which Gideon Taylor developed, tested, implemented and provided maintenance and support for eForms as part of the PeopleSoft HR/Payroll system module. These are the forms that have replaced approximately 80% of the paper forms HR/Payroll has historically used with online forms.

Rather than continue to pay Gideon Taylor, and as a cost saving measure, DoIT sought approval of an amendment to its agreement with IBM under which IBM will provide an FTE position (spread among several individuals) to maintain and support the Gideon Taylor eForms already developed and implemented, and to train USC employees so they can ultimately take over responsibility for e-Form support and development.

The term of this project change request is five years and the estimated cost of the FTE position over the five years is $391,213.

Chairman von Lehe called for a motion and second to approve the amendment to the IBM Services Agreement. Mr. Lister so moved. Mr. Loadholt seconded the motion. The vote was taken, and the motion was approved.

N. Nanjing Medical University Academic Collaboration Agreement

Mr. Parham said the Arnold School of Public Health (ASPH) sought approval of an academic collaboration agreement with the Nanjing Medical University (NMU) in China for what is known as a 3+2 program.

Under the agreement, NMU students who have completed three years of undergraduate study at NMU will apply for admission to USC as non-degree seeking students. If accepted, these students will spend their first year at USC completing their NMU undergraduate degree coursework for which they will receive their BA in Health Administration from NMU. They will also enroll in graduate credit courses in either the Master's in Public Health program or the Master's in Health Administration program from the ASPH as non-degree seeking students.

These students will apply for full-time, degree seeking admission to the USC Graduate School. If accepted, they would then continue to pursue either the MPH degree, which is a 45-hour-credit program, or the MHA degree, which is a 58-hour-credit program, from USC. Students are expected to complete the MPH degree in two or two and a half years at USC.

The agreement provides that the admissions and academic requirements at USC will be maintained, and USC is the sole judge of whether a student qualifies for admission and, subsequently, has completed its degree requirements. While enrolled at USC, NMU students will pay all non-resident tuition and fees. They are also responsible for their own costs of travel, books, educational supplies, transportation, housing, and health insurance.

The ASPH hopes to enroll 10 students per year. The exact number may fluctuate and will be mutually agreed upon by both institutions. Under this program, the ASPH estimates it will receive approximately $320,000 over the five-year term of the agreement.

Chairman von Lehe called for a motion and second to approve the academic collaboration agreement with Nanjing Medical University. Mr. Mobley so moved. Mr. Warr seconded the motion. The vote was taken, and the motion was approved.

O. Civitas Learning Computer Software License Agreement

Mr. Parham said the Office of the University Registrar sought approval to renew its services agreement with Civitas Learning, Inc. under which the registrar acquires and makes available to students access to the Civitas College Scheduler software application.

College Scheduler is software that allows the University to manage the increased volume and complexity of student schedule planning across all eight University campuses. The software simplifies the process by which a student creates a time conflict-free class schedule and registers for classes.

Students log-in to the system through the Self Service Carolina website and list the courses he or she wants to take based on the recommendations of their academic advisor. For example, a student may input that they need to take History 102, Math 102, English 102, etc. College Scheduler then generates possible course schedules for the student to consider that include the desired courses. The student can select one of the proposed course schedules or manipulate it and change to different course sections offered at a different time of day.

Once the student agrees with a proposed course schedule, when it is his or her assigned time to formally register, he or she can simply click on the schedule to enter it. If at that time, enrollment in one of the student's proposed courses has closed out, College Scheduler will provide alternatives.

The registrar has been using this software since 2015. The cost of the software license over the five-year term of the agreement is $270,000.

Chairman von Lehe called for a motion and second to approve the computer software license agreement with Civitas Learning. Dr. Floyd so moved. Mr. Lister seconded the motion. The vote was taken, and the motion was approved.

P. Founders Federal Credit Union Service Agreement

Mr. Parham said approval was sought of a lease agreement with Founders Federal Credit Union under which it would lease space behind the Russell House as the location for a full-service automated teller machine (ATM).

This is the standard agreement used for each of the four ATM sites located behind the Russell House, Mr. Parham said. Founders will be responsible for maintaining the ATM and the University will be responsible for providing electricity and maintaining the grounds around the ATM. The three-year agreement can be extended for two additional one-year terms. Under the three-year term of the agreement, Founders will pay the University $185,344 in rent for access to the space.

Chairman von Lehe called for a motion and second to approve the services agreement with Founders Federal Credit Union. Mr. Loadholt so moved. Mr. Lister seconded the motion.

In response to a question from Trustee Smith about whether the agreement was the result of an RFP under which other banks could bid on the space, Mr. Walton said Founders did not bid specifically. Generally, space is available to interested financial institutions. However, the arrangement with Founders was part of another agreement referenced by Mr. Parham in which Founders paid for the naming rights at the baseball stadium.

Action was postponed until Mr. Walton could provide more information about the bidding process related to the available ATM space behind Russell House.

Later in the meeting, Mr. Walton clarified that Founders had bid on and won an ATM space inside Russell House during the period it purchased naming rights at the baseball stadium. ATM space does not have to go through the bidding process, he said. In the case of the ATM space behind Russell House, there was available space due to a lack of interest from financial institutions the last time the University attempted to bid the space. Founders requested the space and the contract was brought to the Board for approval.

Trustee Smith said bids should be solicited and if there was no interest proceed with the lease to Founders. Chairman von Lehe asked Mr. Walton to investigate the matter further and action was not taken on the proposed service agreement to lease ATM space behind Russell House to Founders Federal Credit Union Service.

Q. Indefinite Delivery, Indefinite Quantity (IDIQ) Contracts

1. ADC Engineering, Inc.

2. Bailey and Son Engineering, Inc.

3. Belka Engineering Associates, Inc.

4. Chao and Associates, Inc.

5. GMK Associates, Inc.

6. Land Engineering Associates, LLC

7. RMF Engineering, Inc.

8. Sims Group Engineers, Inc.

Mr. Parham said the Department of Facilities, Planning, Design and Construction sought approval of eight IDIQ Contracts for professional services – specifically, electrical, and structural engineering services. These types of agreements used to be called Indefinite Delivery Contracts, but the state changed the name to Indefinite Quantity Contracts in May 2019.

The names of the companies are listed in the agenda materials. The provisions in all eight contracts are identical and are established by the State Procurement Code. The agreements are authorized by the State Engineer and each has a two-year contract term. During the contract period, the maximum amount of work that can be performed by any one company cannot exceed $500,000 and the maximum amount of work that any one company can perform on any one project cannot exceed $200,000.

Chairman von Lehe called for a motion and second to approve the eight IDIQ contracts. Dr. Floyd so moved. Mr. Warr seconded the motion. The vote was taken, and the motion was approved.

R. Athletics Gift Agreements

1. Michael and Lucian Stephens

2. James and Mary C.S. Streetman

Mr. Parham said that in a previous Buildings and Grounds Committee meeting, the committee approved several gift agreements, including two which involved donations more than $250,000. As required by Board policy, these two agreements need approval by the Executive and Governance Committee. He proposed approval of the two gift agreements in a single motion.

He said approval was sought for a gift from Michael and Lucian Stephens to name the Stephens Gate at the baseball stadium for the sum of $300,000 and for a gift from James and Mary C.S. Streetman to name the Streetman Gate at the baseball stadium for the sum of $300,000.

Chairman von Lehe called for a motion and second to approve the Athletics Department gift naming agreements. Mr. Mobley so moved. Mr. Lister seconded the motion. The vote was taken, and the motion was approved.

III. Directors and Officers Coverage

Chairman von Lehe called on Mr. Parham who said at the direction of the Chairman after questions from Trustees, he was providing an overview of the University's current Directors and Officers (D&O) Liability Insurance policy, as well as the coverage limits that D&O policies have that are maintained by other colleges and universities in South Carolina and elsewhere.

D&O insurance is designed to provide coverage against claims made by individuals for financial loss from an alleged wrongful act or mismanagement committed by a Board member or employee of the University. Summary materials of the D&O landscape were provided on the Board Portal. The materials were compiled by USC Risk Manager Brian Hann who contacted risk managers at 21 SEC and ACC institutions, as well as some smaller colleges in South Carolina to obtain the information.

A dozen of the schools, including Florida, Georgia, Mississippi, Tennessee, North Carolina, and Virginia, do not purchase a separate D&O insurance policy. Instead, they rely solely on their state tort claim protections that are in the laws and state-provided general liability insurance. Three of the institutions contacted – USC, Clemson, and Texas A&M – rely on their state tort laws, state-provided general liability insurance and purchase an additional D&O policy. Six institutions – Auburn, Kentucky, LSU, Missouri, Louisville, and Pittsburg – do not rely on state tort laws and they do not purchase state-provided general liability insurance. Instead, they purchase a hybrid insurance policy called Educators Legal Liability (ELL) Insurance – a hybrid of a D&O and general liability policy.

As for what other institutions in South Carolina are doing, he said: SC State purchases D&O coverage for $500,000 coverage limits; USC and the Citadel have $5 million in coverage limits; College of Charleston and Coastal Carolina have $10 million in coverage limits; Clemson and MUSC have $20 million in coverage limits; and Lander and Francis Marion do not purchase D&O for their boards, but Francis Marion purchases solely for the vice president for business affairs a $1 million policy.

The question is how much coverage should be under a D&O policy since Board Bylaws stipulate the University will have D&O coverage for its board and others, Mr. Parham said. The University Risk Management and Insurance Association (URMIA) surveyed its membership about how institutions made the decision on how much D&O coverage to have. URMIA found the majority surveyed brought D&O

policy limits based on their review of what other schools were buying. Only 25% of respondents cited an estimate of potential risks when making decisions on how much to purchase.

To help the Board make the decision, Mr. Hann conducted a comparison of what the University's current general liability policy covers versus what the current D&O policy covers to illustrate where shortcomings might be. Mr. Parham said both policies cover the same individuals and entities – the University as a named entity, Trustees, University officers and employees (faculty and staff), and any volunteers who the University engages to perform specific tasks. Both policies cover the basics – liable, slander, defamation, discrimination, sexual harassment, false arrest and detention, errors and omissions, breach of duty and neglect.

USC's state general liability policy covers several things not covered by D&O, including constitutional claims, employment claims, assault and battery, and some bodily injury claims. The D&O policy covers copyright and infringement claims, anti-trust claims, and plagiarism claims, which are not covered under the general liability policy. Neither policy covers criminal acts because those are contractual claims, intentional or willful violations of the law.

Thus, the University's D&O policy acts as an excess coverage policy so if the coverage limits of USC's general liability policy were exhausted, the D&O policy would become applicable and payout if there was a judgement associated with an item it covers. The overlap in the policies does not mean USC does not need both policies. It is up to the Board to determine what its comfort level is in terms of coverage limits, Mr. Parham said, noting Mr. Hann, who was unable to be present, said he would recommend the University's D&O coverage limits be increased from $5 million to a minimum of $10 million. Mr. Parham added that, historically, the University's general liability policy had covered any claim that had been filed. He said Mr. Hann's recommendation was made based on the current environment and what other schools were doing.

Chairman von Lehe called for a motion and second to recommend approval by the full Board to increase D&O coverage limits from $5 to $10 million. Mr. Loadholt so moved. Mr. Warr seconded the motion.

Trustee Williams questioned why any additional insurance would be needed, especially since the tort claims act prevents Trustees from being sued individually. Mr. Parham said it would cost an additional $30,000 annually to increase D&O coverage limits from $5 to $10 million. Annual premiums currently are $49,000 for the $5 million D&O coverage, with a $150,000 deductible. The general liability policy, which must be obtained through the state, costs $1.955 million. The professional liability coverage for physicians in the School of Medicine and others providing health care services costs $129,000 annually.

Trustee Williams said he did not want to buy a policy if it was never going to be used. He asked for more information about the possibility of being sued individually given the torts claim act. Trustee Warr said lawyers were very creative in how to get around obstacles such as the torts claim act, which worried him. Ten million dollars would appear to be a prudent amount, Trustee Warr said. Trustee Hubbard said he had seen many creative pleadings in the past two years that try to get around tort limitations, noting the relatively small incremental cost of increasing the coverage limits made sense.

The vote was taken, and the motion was approved. Chairman von Lehe thanked Trustee Burroughs for originally bringing the topic to the Board's attention. Trustee Burroughs said the companies with which he is associated "had seen some of the most creative lawsuits in the last few years that had cost a lot of money to defend against. We're in a very litigious society and this is a good thing to do."

IV. <u>Policy Updates</u>

As required under existing policy and with the entire Board present, Chairman von Lehe informed Trustees he had approved two requests allowing the University's $300 daily allowable rate to be exceeded. One request was from USC Aiken for a conference in Washington, D.C. and the second was from the Athletics Department for a conference in Los Angeles.

A. <u>FINA 1.00 Travel Policy</u>

B. <u>BTRU 1.15 University Personnel Expenditure Policy</u>

Chairman von Lehe called on Ms. Kibler who said the update was for an increase to the allowed daily lodging rate. First, she addressed the travel policy referenced as FINA 1.00. Currently the policy has a maximum base lodging rate of $300 per day. The recommendation would move the lodging rate from $300 to $400 per day. In addition, the update would allow for an annual escalation of the rate based on the Urban Consumer Price Index each July 1.

The existing $300 rate was set in the 1990s and this was the first requested increase. Lodging rates in many major cities are consistently exceeding the $300 limit, Ms. Kibler said, which was the basis for the requested increase. The policy would continue to state moderately priced accommodations should be selected when a choice was available. The Controller's Office Travel Department would continue to monitor travel for compliance.

The second policy to be updated is BTRU 1.15, which mirrors the $300 lodging rate. This is the Board policy that allows the Board Chairman to approve, as needed, exceptions above the $300 limit. The recommended change to the Board policy would remove reference to the dollar amount and refer to the travel policy for those specifics.

Chairman von Lehe called for a motion and second to recommend approval by the full Board of the University's Travel and Personnel Expenditure policies as described by Ms. Kibler. Dr. Floyd so moved. Mr. Warr seconded the motion.

Chairman von Lehe said he had approved three to five requests to exceed the $300 rate since he became chair. He said he favored increasing the rate and asked for feedback from Mr. Walton who said it was an issue with the larger cities like New York, Chicago, San Francisco and with conference hotels. He and Ms. Kibler confirmed Chairman von Lehe's belief that most people were personally paying the difference. Ms. Kibler said rates often were around $325 to $330, then accommodation and sales tax on top of the room rate.

Trustee Whittle confirmed the University was not negotiating room rates as an institution and urged this approach be investigated. Faculty Senate Chair Cooper noted that any conference would have negotiated a rate with the hotel, so what the University is seeing already is a negotiated, blocked room rate and it would be inappropriate for the University to try and negotiate separate arrangements for its professors outside what the conference had organized. Mr. Walton warned that in negotiating price, the University rate would be locked into a lower rate like the state rate or federal rate and faculty would end up paying the difference. As an example, he said Athletics Director Tanner recently paid $575 a night attending a meeting in New York. Ms. Kibler confirmed the University spent $20 million annually for all travel systemwide.

Faculty Senate Chair Cooper reviewed how travel reimbursement works for faculty – a process that encourages best utilization of approved travel resources. "There is every incentive for a faculty member to try to find the best deal. This is a reasonable provision and I hope you consider approving it."

Based on Ms. Kibler's information, Trustee Williams suggested $350 was a more reasonable increase. Trustee Mobley moved to amend the motion on the floor to increase the daily lodging rate to $350 instead of the proposed $400. Mr. Warr seconded the motion.

The vote was taken to approve the amendment to the original motion, and the motion was approved. The vote was taken to approve the original motion as amended, and the motion was approved.

V. Financial Updates

Chairman von Lehe called on Mr. Walton who said updates on business processes and new budget model processes would be provided, as well as an update on the new health sciences campus. The updates were for information purposes only with no votes required. He called on Ms. Epting to begin.

A. Business Process Improvements Update

Ms. Epting first addressed efforts underway for simplifying student academic fees to create more consistent student billing across undergraduate terms. The plan was to create a less complicated bill with fewer items. Ultimately, this effort will produce a more predictable bill across all terms while maintaining fee neutrality. The less complicated fee structure also will improve administrative efficiencies, she said, indicating plans to address the project more fully at the committee's February 2020 meeting.

The second business process improvement related to budget planning was a long-range forecasting tool, Ms. Epting said. With the new budget model, she said efforts were underway to develop a rigorous platform for forecasting – to perform multiple scenarios using planning and budgeting software specifically designed for Higher Education. Currently, it takes several days to correctly conduct forecasting related to tuition changes and the effect of the residency/non-residency mix. Success in developing a tool will allow more time for the staff to analyze data and answer Trustee questions instead of manually building predictive models.

Faculty Senate Chair Cooper praised simplification of the student fee structure and asked that the next update include information about transparency as related to student fees.

B. New Budget Model Update

Mr. Sobieralski told Trustees efforts continue to move forward on the new budget model initiative, which is intended to provide greater incentives to deans and enhanced transparency regarding how the University conducts business.

Since the August update, he said the FY19 Actual information had been shared with each dean. Members of the Provost's Office and Budget Office followed up this information with individual or small group meetings with the deans and business managers of each academic unit.

During those meetings, each major calculation within the model was reviewed, and at the conclusion of the meetings, each dean was asked if they felt comfortable with the model mechanics. Mr. Sobieralski reported all agreed they understood the calculations and information sources. However, he said, while all expressed understanding of the methodology of the model, at various points during the model development process, they were not without some concern.

In addition to meetings with the deans and business managers, several budget model governance groups have started to meet. Mr. Sobieralski added that the governance process also was shared and discussed within the Faculty Senate, where it met with a good reception. Lastly, initial planning for full implementation of the budget model in FY21 has been initiated by the Budget Office, Controller's Office, and Provost's Office.

Mr. Sobieralski offered several examples of concerns raised by deans during development of the new budget model. One group of concerns focuses on questions about timing of model adoption, whether the structure of the model will change, and if deans can rely on the data and metrics used to inform the model. To help address these concerns, which he called "fear of the unknown," Mr. Sobieralski said that throughout the process multiple meetings have been held with the deans, business managers and other groups. The Budget Office also has shared information with University auditors, and sourced metrics from unbiased parties.

"We have included a formal training team as part of our governance structure, and we are using the current year as 'hold harmless' while continuing to increase understanding of the model," he said. "While we appreciate that a changing budget model environment is difficult, we understand you as the Board are ready for us to move forward with this model in FY21. We feel the budget model methodology and metrics are now stable, and the deans' recent indication that they understand that model is a significant step forward in the adoption process."

In response to a question from Trustee Burroughs about the participation fee tax, Mr. Sobieralski referred to the committee's August meeting, noting this term referenced a certain group of revenues for each college that helps to cover any subsidy required from one college to another, which was a specific line on each college budget.

Continuing, Mr. Sobieralski said at certain points in the process, deans highlighted concerns about understanding the incentives within the model. Through increased transparency regarding revenue flows, deans will be increasingly incentivized to consider enrollment levels – whether it is online or traditional, course offerings, grant and contract activity, and pursuit of entrepreneurial and development opportunities. In addition to revenue incentives, because carryforward continues to be retained, there also is increased incentive for cost containment to allow for internally developed funds to be accumulated and deployed for future strategic investment.

Deans also mentioned concerns about collaboration and gaming, he said. These are areas that factored into model incentives, but they also were considered as the governance committees were being formed. For example:

- Collaboration: The Honors College, which relies on collaboration with other colleges, asked for incentives to be created within the model for other colleges to help it. So, the Budget Office weighted honors credit hours to help incentivize support for the college by other academic units. Additionally, in case the incentive is not enough, he noted the Provost through policy and influence is able to influence participation and support in collaboration with those units.

- Gaming: In this context is the idea a college would begin teaching a course that clearly belongs to another college for financial gain; for instance, an extreme example might be English for Engineers taught by the College of Engineering and Computing. As a safeguard against gaming, he said, the Faculty Senate's Courses and Curricula Committee is part of governance structure to avoid undesired behavior.

Deans also expressed concern about circumstances not directly in their control. These include unanticipated consequences that have not been predicted, business risks such as changes to enrollment or loss of state appropriations, and lack of direct control over administrative budgets.

Unknown consequences and business risks are areas the University has and will face regardless of the budget model utilized, Mr. Sobieralski said. Just as these items are dealt with now, he said, in the new budget model environment, strong, collaborative governance, good planning, routine evaluation and prudent use of reserves will allow academic units to deal with the unexpected.

Deans also expressed concerns that, for the first time, they will have administrative unit budgets – in the form of indirect costs – applied to their academic unit budgets, but they do not directly control the budgets in these administrative areas. To address this concern, the Support Unit Allocation Committee within the budget model governance structure was created, and it gives a stronger voice to deans and the Faculty Senate in terms of the growth of these budgets in context of the services provided. This group has already started to meet, he said.

Finally, he said, a concern mentioned by several deans is that a "winners and losers" view of the academic units could evolve. There is a particular concern units that are "net consumers," or units whose revenues cannot fully support their costs, will be viewed as inefficient or "in a different class" as compared to the colleges that are "net contributors."

Mr. Sobieralski stated:

> "We continue to emphasize to the deans that there is an understanding throughout the organization that each academic unit enhances the University of South Carolina brand, and also that there are legitimate reasons why some colleges are 'net contributors' and others are 'net consumers.' These include accreditation requirements, pedagogy (including class sizes) and market factors such as discipline-specific salaries. The desire, as we discussed with Trustees in August, is for everyone to understand where they are – whether they are net contributors or net consumers – and determine ways to continue to improve."

Mr. Sobieralski said what appears to be the greatest concern for the deans, is whether their budgets as they exist today will be negatively impacted due to the new budget model. Understanding revenue incentives is a safeguard, but in terms of an absolute solution to this concern, that is difficult to offer, as changing budgets are a possibility in any budget model, he said.

In response to a question from Trustee Whittle, Mr. Sobieralski said in January and February a snapshot of through October 2019 would be provided with format changes Trustees requested in August.

Trustee Whittle further underscored that Trustees understand and appreciate there will be net consumers and net contributors, but Trustees want to ensure the net consumers are performing at best practice. To do this, there needs to be an analysis of what is being spent, what revenue is being brought in and compare it with peers and peer aspirants to ensure efficiency.

Interim Provost Harding cautioned that if comparing efficiency of peers and peer aspirants becomes a goal, a wider selection of peers and peer aspirants would have to be selected because there are not a lot of institutions with budget models like the University's and this would prevent the comparative measurement of data in a suitable, understandable fashion. Most of the University's peers function under a budget model like the University's legacy budget model, he said.

In response to Trustee Smith, Mr. Sobieralski said the FY19 and FY20 budget information had been shared with Elliott Davis' Brian D'Amico and no negative comments were received from him.

Trustee Burroughs said the new process will highlight administrative costs and help identify where savings can be realized, helping the University and its academic units.

In conclusion, Mr. Sobieralski said the Budget Office remains on track in terms of budget development, with its focus turning to the academic unit budgets in January 2020. In terms of reporting, new budget model information as of October 31 had been distributed to the deans. This information is under review and will be presented to Trustees at a future meeting.

C. New Health Sciences Campus Update

Mr. Perkins presented an update on the new Health Sciences Campus, which was primarily a visual presentation of images showing the property. He began with a photograph looking southward over the property from Harden and Colonial streets with the Columbia skyline in the distance. The photograph was taken prior to demolition and earth moving, which was started in July/August 2019.

Next, he presented three photographs showing views of the demolition of two buildings and the adjacent grounds on the property in October into November. He described the work as a full demolition and abatement down to the foundations. The final two photos showed the demolition of the buildings from a different angle, and the long view from across the newly reopened and developed park area's pond and creek, with Prisma Healthcare – Richland's main hospital building viewable on the left side of the pond. He added that the developer had started cleaning property adjacent to the University's property.

Mr. Perkins reviewed the schedule for development of the property, which included the fall discussions with the State Engineer:

- Demolition of two existing buildings on-site – Fall 2019
- Transfer of three-acre parcel from developer to USC Foundation – December 2019 or January 2020
- Determine procurement methodology with State Engineer and University Procurement – Fall/Spring 2019
- Finalize funding strategy and scope of project – Fall/Spring 2019
- Phase I Approval Cycle (B&G/BOT/CHE/JBRC/SFAA) – February-June 2020
- Developer and/or A/E procurement – June-September 2020
- Phase I Programming, Design and Cost Estimation – September 2020 to September 2021
- Phase II Approval Cycle (B&G/BOT/CHE/JBRC/SFAA) – September 2021 to January 2022
- Transfer of eight-acre parcel from developer to USC Foundation – December 2021 (no later than)
- Phase II Design/Construction Documents/GMP – January 2022 to February 2023
- Sitework – August 2022 to February 2023
- Building Construction – February 2023 to July 2024
- Occupancy – Fall Semester 2024

In summary, Mr. Perkins said the property is being cleared and getting ready for construction. The University should learn more from its legislative requests during the January to March time frame.

In response to a question from Faculty Senate Chair Cooper about the future direction of the project and what programs will be housed on the site, Mr. Perkins said there were two driving forces.

First, he said, the growth of the Dorn VA Medical Center is tremendous, and the VA wants all the property now leased to the University. There are about nine years left on the University's lease. From a building/construction timeline, that is what is pushing the medical school and research building. However, the new property will house a "Health Campus," he said. The medical school will be one of the "jewels in the crown," but the growth in Public Health, Nursing, Pharmacy, and other areas will be addressed. The research building will be an interdisciplinary building, he said. The bigger picture such as how the medical school facility may provide additional classroom space for other disciplines, will come into play later. "This is just the first piece focusing on the School of Medicine and the research it will need," Mr. Perkins said.

He explained the programming aspect of the project would come into play when the architects began their work and teams were created to address specific needs. The preliminary programming discussion was only to estimate cost. Programming will be in Phase I of the project, which will take about six months. Faculty Senate Chair Cooper offered to assist in soliciting faculty participation for the project.

In response to Trustee Floyd's question as to how many other buildings would be placed on the 20 acres, Mr. Perkins said at one time up to six buildings were suggested, but the layout depends on size and interplay, whether there would be a parking garage or a shuttle system used. He noted there would be a park developed next to the University's property, which was all buildable, high ground; but the architects would have to address specifics.

VI. <u>Alcohol Sales</u>

Chairman von Lehe called on Athletics Director Ray Tanner who said the Athletics Department requested approval to proceed with beer/wine sales at athletics venues on January 1, 2020, beginning with men's and women's basketball, segueing into baseball and then into football.

The Athletics Department's concessionaire is Aramark, which retains the rights to sell alcohol at USC Athletics venues per the University-approved agreement that began in 2017. So, the "beer pour" is 50% to Athletics and 50% to Aramark in the stadium, which is the standard in the industry.

Currently, seven schools in the SEC are serving in football and eight are serving in basketball.

"This request comes after extensive research into the anticipated fan experience of this action. We feel like we are well-prepared to move forward," Mr. Tanner said. He also noted magnetometers will be in use for 2020 football season and that they may be tested during the final games of the basketball season.

In response to a question from Trustee Burroughs as to whether there were enough toilets to accommodate fans if beer was sold, Mr. Tanner said the issue had been researched and the stadium renovation underway will add restrooms. It will take a season to fully know what needs to be done going forward. In addition to changes on the east side upper level, there will be new restrooms on the northeast corner.

Intercollegiate Athletics Committee Chair Whittle said a study had been conducted and he was encouraging the Athletics Department to finds ways to add more restrooms. "I recommended they use the incremental revenue generated from the sale of alcohol to pay to have adequate bathrooms installed," he said. "Let's earmark that revenue to upfit existing bathrooms and to build additional bathrooms to accommodate fans."

In response to Trustee Mobley's question about safety and control issues in the sale of alcohol and the ability to mitigate the potential for underage drinking, Mr. Tanner said he had discussed the issue with USC Police Chief Chris Wuchenich. He said Athletics would be more prepared than in the past with security and would be adopting standards that had proven successful at other schools.

In response to Trustee Allen's question about projected net revenue on an annual basis would be after the initial startup costs, Mr. Tanner said it was difficult to project because of various factors such as the success of the season, time of day and weather conditions. There will be some sponsorship at point-of-sale and then how much is poured contributes to the net number. Whether the net will be $1 million as projected in the newspaper, Mr. Tanner said, "I'm not sure it will be, I think it is still to be determined. We'll have to go through a season to get a good feel for where we are."

In response to a comment by Chairman von Lehe, Mr. Tanner said that his colleagues around the country have noted fewer instances of intoxication than in the past. For instance, he said the SEC has a standard in place preventing the sale of beer/wine past a certain time in game.

In response to a question from Trustee Burroughs, Mr. Tanner said Aramark is responsible for brand selection for the beer and wine and that the beverages would have to be poured into a cup.

President Caslen noted that when he was on the NCAA Board of Governors, a study was conducted, and the NCAA voted to lift the prohibition on the sale of alcohol at championship games. "As a governor, I voted in favor of it at that time and I would encourage approval of this request."

Chairman von Lehe called for a motion and second to recommend full Board approval for the Athletics Department to proceed with beer/wine sales at athletics venues, effective immediately. Mr. Loadholt so moved. Mr. Lister seconded the motion.

The vote was taken, and the motion was approved.

VII. Other Matters

Chairman von Lehe asked for other matters to come before the committee and Faculty Senate Chair Cooper asked if the AGB engagement with the Board was complete and, if so, when might a written report be expected.

President Caslen said the AGB was preparing its findings and recommendations, which would be delivered to him and the Board Chairman in January. The intent was to have a session during the Board's January 2020 Retreat to discuss the findings and recommendations with the Board as a training session. Chairman von Lehe confirmed that the AGB consultants would be the presenters at the retreat to go over governance principles and other matters.

"It would be great to have a written report at some point," Dr. Cooper said.

VIII. Adjournment

There being no other business to come before the committee, Chairman von Lehe declared the meeting adjourned at 12:55 p.m.

Respectfully submitted,

J. Cantey Heath, Jr.
Secretary