University of South Carolina
BOARD OF TRUSTEES

Executive and Governance Committee

October 19, 2018

The Executive and Governance Committee of the University of South Carolina Board of Trustees met at 1:20 p.m. on Friday, October 19, 2018, in the Alumni Center's C. Edward Floyd Boardroom.

Members present were: Mr. John C. von Lehe Jr., Chairman; 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 Trustees present were: Mr. Chuck Allen; Mr. Thomas C. Cofield; Mr. Robert F. Dozier Jr.; Mr. A. C. "Bubba" Fennell III; Mr. William C. Hubbard; Ms. Rose Buyck Newton; Dr. C. Dorn Smith III; Ms. Molly M. Spearman; Mr. Thad H. Westbrook; and Mr. Mack I. Whittle Jr. Joining by telephone were: Mr. J. Egerton Burroughs; Mr. Mark W. Buyck Jr.; Ms. Leah B. Moody; and Mr. Charles H. Williams.

Also present were USC Columbia Faculty Senate Chairman Marco Valtorta and USC Columbia Student Government President Taylor Wright.

Others present were: President Harris Pastides; Secretary J. Cantey Heath Jr.; General Counsel Walter "Terry" H. Parham; Provost Joan Gabel; Chief Operating Officer Edward L. Walton; Chief Financial Officer Leslie Brunelli; Vice President for Student Affairs Dennis A. Pruitt; Chief Advancement Officer and Senior Advisor to the President Paula Harper Bethea; Vice President for Information Technology Doug Foster; Vice President for Human Resources Caroline Agardy; President and Chief Executive Officer of University Foundations Jason Caskey; Chief Communications Officer Wes Hickman; Athletics Director Ray Tanner; Chief Audit Executive Pam Doran; USC Aiken Chancellor Sandra Jordan; USC Beaufort Chancellor Al Panu; Palmetto College Chancellor Susan Elkins; USC Upstate Chancellor Brendan Kelly; University Treasurer Pat Lardner; College of Arts and Sciences Dean Lacy Ford; Associate Vice President for Finance Kelly Epting; Executive Director for the Office of Economic Engagement William D. "Bill" Kirkland; University Budget Director Joe Sobieralski; Director of Public Relations Jeff Stensland; Director of State Government and Community Relations Derrick Meggie; Executive Director for Strategic Initiatives Jack Claypoole; Office of Equal Opportunity Programs Director Clifford Scott; Assistant to the President for System Affairs Eddie King; Director of Facilities Planning and Programming and University Architect Derek S. Gruner; Associate Dean of Academics, College of Hospitality, Retail and Sport Management, David A. Cárdenas; College of Engineering and Computing Dean Hossein Haj-Hariri; Senior Associate Dean of International Programs and Partnerships, Darla Moore School of Business, Kendall Roth; Department Chair and Professor of Integrated Information Technology, College of Engineering and Computing, Elizabeth Regan; Associate Provost for Academic Programs Tena B. Crews; Senior Associate Provost for Inclusion and Chief Diversity Officer John H. Dozier; Co-Owner of *Insight Into Diversity* magazine Lenore Pearlstein; Palmetto College Faculty Senate Executive Committee Chair Christine Sixta Rinehart; Brian D'Amico with Elliott Davis; Andrew Laws with Huron Consulting Group; University Technology Services Production Manager Matt Warthen; and Board staff members Debra Allen and Terri Saxon.

I. Call to Order

Chairman von Lehe called the meeting to order and stated 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 those Trustees joining by telephone.

Mr. Hickman introduced the following members of the news media: Lucas Daprile with *The State* newspaper and Hannah Dear with *The Daily Gamecock*.

Motion for Executive Session

Chairman von Lehe called for a motion and second to enter Executive Session for a personnel matter regarding President Pastides' retirement and the creation of a search committee. Mr. Mobley so moved, and Mr. Loadholt seconded the motion. The vote was taken, and the motion was approved.

The following individuals were invited to remain: President Pastides, Secretary Heath, Dr. Valtorta, Mr. Wright, Mr. Parham and Ms. Agardy.

Executive Session

With no further matters to discuss in Executive Session, Chairman von Lehe declared a return to Open Session.

Return to Open Session

II. Presidential Candidate Search Committee

Chairman von Lehe called for a motion to recommend approval by the full Board of the following five voting Trustees to serve on the Presidential Candidate Search Committee: William C. Hubbard, Hubert F. Mobley, Leah B. Moody, C. Dorn Smith III, M.D., and Eugene P. Warr, Jr., with Mr.

Mobley to serve as chair of the committee. In addition, he asked that the motion include recommendation that the full Board approve two special advisors to the search committee – Trustees Mark Buyck and Miles Loadholt. Mr. Lister so moved, and Dr. Floyd seconded the motion. The vote was taken, and the motion was approved.

III. Contracts

Chairman von Lehe called on Mr. Parham for presentation of contracts.

A. PASCAL Shared Library Services Agreement

Mr. Parham said Dean of Libraries Tom McNally, on behalf of the libraries at all University system campuses as well as the law school and medical schools, sought approval of an agreement with PASCAL – a non-profit consortium of 56 public and private academic libraries in South Carolina.

This agreement provides for the implementation of a new statewide Shared Library Services Platform – software that provides for the comprehensive management of University Library materials, their discovery and usage. PASCAL will pay for the software and implementation of the software for all member schools. Once fully implemented, all schools will be linked together and have the same online catalogue.

This platform will improve the research experience for students and faculty by providing a single, intuitive statewide search interface for print and digital resources, allowing users to quickly find resources on their own campus and those available through the PASCAL community. Those resources include access to more than 250,000 e-book titles, and 10 million local bibliographic records.

Mr. Parham said full implementation of the software will take approximately two years, during which USC will pay nothing. Once the system is operational, USC will pay maintenance and upgrade costs for the software. The term of the agreement is three years after the system is operational, with the option to extend for two additional one-year periods. The cost to the USC system in year one will be $289,805, increasing by 3% each year thereafter. Total cost over the maximum five-year term of the agreement is $1,538,614.

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

B. SIOS Technology Corp. Software Gift

Mr. Parham said approval was sought by the College of Engineering and Computing to accept a gift of software licenses from SIOS Technology Corporation.

The SOIS IQ software is a predictive, analytics platform that uses artificial intelligence or machine-learning technology to automate the discovery of computer application infrastructure issues and their root causes, and to predict future infrastructure problems. SIOS is donating 79 host licenses, including all software updates, for a period of five years. The value of the gift is $475,000.

Chairman von Lehe called for a motion and second to approve the software gift from SIOS Technology Corp. Dr. Floyd so moved. Mr. Warr seconded the motion. The vote was taken, and the motion was approved.

C. Civitas Learning, Inc. Master Services Agreement

Mr. Parham said USC Beaufort Chancellor Al Panu sought approval to enter into a software subscription contract with Civitas Learning, Inc.

The Civitas software is focused on identifying and assisting USC Beaufort support and retain at-risk students – that is, students who are at risk of not completing their academic degree, he explained.

The Civitas software gathers and analyzes data from Blackboard, Banner and other University systems. That data includes information such as the number of times a student has logged into Blackboard – which is where academic assignments and information is transmitted to students; the number of times a student has interacted via Blackboard with his or her faculty member; class attendance; grades; campus disciplinary records; and academic advisor notes following meetings with students.

Mr. Parham said Civitas analyzes this information and then notifies USC Beaufort of students who could be at risk of dropping out or being dismissed for academic reasons. This allows USC Beaufort to be pro-active in reaching out to these students with support to help them remain at USC Beaufort.

The five-year contract, ending October 19, 2023, has a total cost of $600,000. Mr. Parham said Chancellor Panu believes the cost will be offset by the number of students USC Beaufort retains using the Civitas analytics.

Chairman von Lehe called for a motion and second to approve USC Beaufort's master services agreement with Civitas Learning, Inc. Mr. Mobley so moved. Mr. Loadholt seconded the motion. The vote was taken, and the motion was approved.

D. USC Upstate Employment Agreements

1. Head Women's Softball Coach

Mr. Parham said Chancellor Brendan Kelly sought approval of a new employment agreement for Head Women's Softball Coach Chris Hawkins. Coach Hawkins has served as the softball coach at USC Upstate for 25 years, compiling an impressive 859-win 344-loss record. He is also a 1989 USC Upstate.

The four-year term of the employment agreement begins upon approval by the Board and continues through May 31, 2022. Coach Hawkins will receive an annual salary of $74,852 and will be eligible to earn incentive bonuses based on the success of the softball program. If he achieves every bonus incentive, including winning the NCAA College Softball World Series, he can earn a maximum of $37,000 in bonuses, Mr. Parham said.

The contract contains the standard termination for cause language as well as a new provision regarding compliance with Title IX. If USC Upstate terminates the contract without cause, it will pay Coach Hawkins his base salary for the remaining term of the contract, subject to his mitigation obligation. If Coach Hawkins terminates the contract, he will pay USC Upstate 50% of his base salary for the remaining term of the contract.

Chairman von Lehe called for a motion and second to approve the employment agreement for USC Upstate Head Women's Softball Coach Chris Hawkins. Mr. Lister so moved. Dr. Floyd seconded the motion. The vote was taken, and the motion was approved.

2. <u>Associate Athletics Director Appointment</u>

Mr. Parham said Chancellor Kelly also sought approval to appoint Coach Chris Hawkins as an associate athletics director at USC Upstate. Board approval of this administrative appointment is required by Article IV, Section I (T) of the Bylaws, which provides that "no Athletics Department administrators will be given employment agreements in excess of one year without prior approval of a majority (eleven) vote of the entire Board of Trustees."

The term of Coach Hawkins' administrative appointment is expected to be four years, ending May 31, 2022; however, he always serves at the pleasure of the athletics director. This appointment is in addition to his duties as head softball coach.

For his services as associate athletics director, Coach Hawkins will receive a $10,000 stipend in year one, a $15,000 stipend in year two, and a $20,000 stipend in years three and four. If he is terminated as associate athletics director without cause, he will be paid his stipend for the remainder of the four-year term. If he is terminated for cause, his stipend payments cease immediately. Mr. Parham said the grounds for termination for cause as associate athletics director are the same as set forth in Coach Hawkins' head softball coach contract.

Chairman von Lehe called for a motion and second to recommend approval by the full Board of the employment agreement for USC Upstate Associate Athletics Director Chris Hawkins. Mr. Warr so moved. Mr. Mobley seconded the motion. The vote was taken, and the motion was approved.

E. Blackbaud, Inc. Advancement CRM Software

Mr. Parham said approval was sought by University Advancement and University Technology Services to purchase a new constituent relationship management software platform from Blackbaud, Inc. Blackbaud was selected through a competitive solicitation process in accordance with the South Carolina Procurement Code. Blackbaud is the industry leader in this field. The software will support alumni relations, fund-raising management, multi-channel marketing and communication, and data analytics.

He said the software currently is used by the University of Georgia, Ohio State, Michigan, UNC Chapel Hill, University of Connecticut, University of Alabama, Virginia Tech, Brown University, and Yale.

This platform will serve as the central repository for the University's information about alumni, parents, friends, faculty and staff, foundations, corporation and organizations that support – or might be likely to support – the University. Currently, the University has approximately 600,000 discrete records of this nature that Blackbaud will allow to be compiled into a comprehensive database that is easily accessed and analyzed. The software will replace Millennium - the University's current outdated Advancement database that was installed in 2000.

Implementation of the software – and transfer of all records from the Millennium system and elsewhere within the University – will take approximately 18 months. It is important to make this conversion now so that the software will be available for the University's next capital campaign. The five-year contract with Blackbaud includes 24/7 maintenance support and software upgrades. Mr. Parham said the total cost of the contract is $2,973,140. In response to a question as to how the purchase will be funded, Ms. Bethea said the purchase would be a shared expense with all the units within Advancement. For several years, she said funds from the Advancement budget have been set aside for the purchase, in addition to funds identified by the University's Chief Financial Officer Leslie Brunelli and Chief Operating Officer Ed Walton.

Chairman von Lehe called for a motion and second to recommend approval by the full Board of the purchase of the constituent relationship management software platform from Blackbaud, Inc. Mr.

Loadholt so moved. Mr. Lister seconded the motion. The vote was taken, and the motion was approved.

F. USC School of Medicine Greenville/Greenville Health System Memorandum of Understanding (MOU)

Mr. Parham said approval was sought of the required annual addendum to the Master Memorandum of Understanding (MOU) between the USC School of Medicine (USCSOM) Greenville and the Greenville Health System (GHS) previously approved by the Board. The addendum confirms the annual cost of the professional services and non-personnel expenses to be provided by the GHS to the USCSOM Greenville. The Master MOU further requires that the cost of these services be within the budget for the School of Medicine approved annually by the Board.

The MOU Addendum for 2018-2019 estimates – consistent with the budget approved by the Board – that for the coming year, GHS will provide the USCSOM Greenville professional services and non-personnel expenses not to exceed $13,334,199. GHS will bill USC for these services as they are incurred.

Chairman von Lehe called for a motion and second to recommend approval by the full Board of the MOU Addendum between the USC School of Medicine Greenville and Greenville Health System. Dr. Floyd so moved. Mr. Warr seconded the motion. The vote was taken, and the motion was approved.

G. Athletics Department

1. STM Charters, Inc. Flight Services Agreements

a. Men's Basketball Team

Mr. Parham said the Athletics Department sought approval to enter into a charter flight agreement with STM Charters, Inc. for the 2018-19 men's basketball season. This is the standard charter flight agreement previously presented to the Board. Under the agreement, STM will transport the men's basketball team to 12 away games at a total cost of $580,600.

Chairman von Lehe called for a motion and second to approve the flight services agreement for the Men's Basketball Team for the 2018-19 season. Mr. Warr so moved. Mr. Mobley seconded the motion. The vote was taken, and the motion was approved.

b. Women's Basketball Team

Mr. Parham said the Athletics Department also sought approval to enter into a charter flight agreement with STM Charters, Inc. for the 2018-19 women's basketball season. Under the agreement, STM will transport the women's basketball team to 11 away games at a total cost of $404,500.

Chairman von Lehe called for a motion and second to approve the flight services agreement for the

Women's Basketball Team for the 2018-19 season. Mr. Warr so moved. Mr. Mobley seconded the motion. The vote was taken, and the motion was approved.

2. Gamecock Sports Properties, LLC Multi-Media Rights Agreement

Mr. Parham said in 2017 the Board approved a 10-year Multi-Media Corporate Sponsorship Rights Agreement for the Athletics Department with IMG, doing business as Gamecock Sports Properties, LLC (GSP).

The contract guarantees the Athletics Department $110,000,000 in revenue over the 10-year term. Part of that guarantee is in the form of a guaranteed signage stipend, which requires GSP to pay the Athletics Department $315,000 each year to be used to purchase signage for USC athletics venues.

Mr. Parham said the Athletics Department now sought approval of an amendment to the multi-media rights agreement. Under the amendment, GSP will provide the Athletics Department $1,000,000 on or before December 1, 2018, so the Athletics Department can purchase and install a new video scoreboard at Founders Park prior to the beginning of the 2019 baseball season.

In exchange for providing the $1,000,000 ahead of schedule, the multi-media rights agreement will be amended to indicate GSP will not be obligated to pay a $315,000 guaranteed signage stipend in the final three years of the contract and its obligation for the fourth year is reduced by $55,000 to the sum of $260,000.

In summary, Athletics Director Tanner has negotiated with GSP to pay now the amounts it would have paid at the end of the contract. Because GSP is fronting the money, it seeks to protect its early financial investment in signage. The amendment further provides that if the Multi-Media Rights Agreement is terminated prior to its scheduled expiration on June 30, 2027, the Athletics Department will be obligated to pay GSP an amount equal to $111,111 times the then remaining term of the agreement. All other terms and conditions of the Multi-Media Rights Agreement remain in full force and effect, Mr. Parham said.

Chairman von Lehe called for a motion and second to recommend full Board approval of the multi-media rights agreement with Gamecock Sports Properties, LLC. Mr. Loadholt so moved. Mr. Lister seconded the motion. The vote was taken, and the motion was approved.

3. Athletics Department Gift-Naming Agreements

Mr. Parham said the Athletics Department sought approval of four gift-naming agreements. Each agreement was previously approved by the Gift Naming Opportunities Committee and the Buildings and Grounds Committee, but because of the amount of the gifts, approval by the Executive and Governance Committee also is required. The four gift-naming agreements are:

a. <u>$250,000 to name the Moore Team Meeting Room</u> at Founders Park

b. <u>$500,000 to name the Moore Family Terrace</u> at the Football Operations Center

c. <u>$500,000 to name the Zane Christopher Family Head Coach's Office</u> at the Football Operations Center and

d. <u>$1,500,000 to name the Roof Lobby</u> at the Football Operations Center.

Chairman von Lehe called for a motion and second to approve the gift-naming agreements. Dr. Floyd so moved. Mr. Warr seconded the motion.

Before the vote was taken, Trustee Smith asked whether the gifts came through the Gamecock Club or directly to the Athletics Department. Mr. Tanner explained gifts such as these, which are made to the Athletics Department, are processed through the Educational Foundation. The vote was taken, and the motion was approved.

IV. <u>FY2018 Year-End Review</u>

Chairman von Lehe called on Ms. Brunelli who indicated she would provide more detail to the FY2018 year-end results offered earlier in the day during Elliott Davis' presentation.

Ms. Brunelli referred Trustees to their meeting materials, which contained her presentation as well as a detailed document providing a budget to actual expenditures recap for the 2018 fiscal year. In the budget document for 2018, she said, there was a new appendix to serve as a crosswalk from the budget document to the financial statement. Budget Director Joe Sobieralski prepared the schedule.

As in the prior year, for the mid-year review that is conducted, the documents reviewed by the Board include budget to actual for total current funds, enrollment information, and information exchange with the University's system campuses and the Columbia auxiliary units. All campuses and auxiliary units are operating within their budget expectations and budget adjustments made by units during the year were minimal, she said.

Ms. Brunelli recapped enrollment over the past six years, which at 50% is the most critical component of the budget process. Strong growth was illustrated in undergraduate enrollment and the professional areas showed good growth, she said, while graduate enrollment exhibited some stress during the past six years. Fall 2018 numbers are not final and were not included in the headcount. However, she noted as of October 18, the system enrollment was 51,462.

The total funds variance for budget and expenditures was next reviewed. Revenue varied by 4.72% to the upside, which means more dollars were collected than originally budgeted; the expense side was down by 0.88% for the year. She went on to note tuition and fee collections exceeded the budget, including academic unit fees. The tuition increase from the very large freshman class in Columbia of $6.9 million was brought forward to FY2018 as a budget item. Variance was driven by tuition growth in programs that the University typically does not budget such as the academic partnership graduate programs and the Shorelight International Agreement. Several campuses experienced enrollment increases, and all had projected flat budget projections.

Other than tuition, she said, auxiliary enterprises increased. This included Athletics, as well as the University's new Aramark contract, which yields a higher commission for the University than the previous food service contract. Parking also increased, she said.

On the expense side – with a slight reduction to the budget of 0.88% – most categories tracked with the budget; Auxiliaries changed the most, especially Athletics' post-season and the master lease of off-campus housing facilities at Aspire and Park Place.

Ms. Brunelli presented a brief recap of the FY2018 Financial Statement, noting more detail would be in the upcoming Comprehensive Annual Financial Report. Growth this year was 6.4% compared to FY2017's growth of 5.6%, with the two primary drivers again being tuition and fees and auxiliary enterprises.

Net tuition and fees revenue – net of the scholarship allowance, net of abatements and discounts for students – remains strong with growth of 6%. She noted that last year the rating agencies were predicting a negative outlook for higher education because this growth was less than 3%, which the University is far exceeding.

On the expense side, Ms. Brunelli said the growth year over year is 5.1%, down from the previous year's 6.5%. She reported changes by expenditure type during FY2018, which illustrated fringe benefits increased 10.74% – a trend with increases in the double digits for the past several years. Salary and fringe account for 66% of all University expenditures, she said. If the pension and other postemployment benefits (OPEB) impact on fringe benefits was removed, the total operating expenditures growth would be 4.19%. The total FY2018 pension and OPEB liability for the USC System is $908,625,179. The University's unrestricted net position, a number critically important to the rating agencies, is at a negative $1.2 billion due to the impact of the pension and OPEB liability. Without that liability, the unrestricted net position would be $491,128,412 million.

Ms. Brunelli next summarized the University's bond indebtedness that totaled $587,695,000 as of June 30, 2018 and will drop to $561,315,000 following this year's principal payment, which is the same debt level as 2014.

Concluding her report, Ms. Brunelli said financial initiatives for FY2019 and beyond include implementation of PeopleSoft HCM-Payroll/HR, continued enhancements and stabilization of PeopleSoft Finance, continued work on the budget model revision, renewal of the junior financial analyst program, and development of a plan for fees consolidation.

Trustee Hubbard commented that the University's budget is built around enrollment, yet South Carolina is ranked 50th out of 51 states and the District of Columbia on ACT scores, with reportedly only 14% of graduates meeting all criteria for college admission. Trustees, he said, needed to spend time addressing this issue. Trustee Warr noted Superintendent of Education Molly Spearman had told him South Carolina is one of 12 states that requires all students to take the ACT regardless of their intent to attend college.

Chairman von Lehe asked Vice President for Student Affairs Dennis Pruitt to comment. This information is monitored closely, he said. More and more students are coming to college unprepared, he said, noting USC got ahead of the game in 2005 when it started setting up student success centers, predictive analytics, and first-day intervention programs to assist students who come to the University without being college-ready in all subject matters.

USC has demonstrated the ability to help many of these students be successful. Over the past 10 years, the University has been successful at identifying students, who given assistance, have a reasonable chance of success. While the University has enrolled more students on the high end, it has also admitted more on the low end. Increasing the number of students in the Honors College and in programs like Capstone Scholars has allowed the University to admit more students on the lower end; and by funding support services, the University provides all students an equal opportunity for success.

However, he said, in the next 15 years, there will be more students coming to college who are first generation, low socio-economic, rural students, and students who come from high school institutions that don't provide advanced placement opportunities.

Trustee Hubbard asked about demographics over the next five years in terms of the numbers of high school graduates. Describing the college-bound population in South Carolina as stagnante, Dr. Pruitt said predictions indicate 15% fewer students coming to college nationwide by 2025. He then explained in response to a Trustee's question that the University is more influenced by recession cycles than decreasing unemployment, which has more of an effect on technical school enrollments.

V. <u>Budget Model Update</u>

Ms. Brunelli introduced Andrew Laws with the Huron Consulting Group to provide an update on the budget model redesign.

Mr. Laws recapped that in January 2018 Huron was brought in to continue the work initiated by Trustees and Elliott Davis to develop a decentralized budget model for the University. Specifically, he explained Huron was addressing how to operationalize the new budget model, and how to work with the academic deans to prepare them to operate under the decentralized model.

He summarized Huron's timeline. Much of the time since January focused on financial modeling to build-out a pro-forma model to provide a platform for testing different model alternatives. In addition, Huron pursued stakeholder engagement to address change management issues through methodical, data-driven decision making. Infrastructure development was now underway and would continue until February 2019 to develop supporting tools, reports, budget processes, and governance to operationalize the new budget model. Testing of the new model to understand the outcomes on implementation would continue into July 2019, Mr. Laws said.

As of now, Mr. Laws said, three models are nearly completed including two models relying on actual data for fiscal years 2017 and 2018, and the FY2019 budget built in the new model format. Tools also have been built for the deans that will allow them to perform scenario planning. For instance, a dean might analyze the effect on revenue and expenses for a specific college if credit hours were to increase or a new program was started.

It is notable, he said, the FY2019 budget is the first time a retrospective view of the budget model has shifted to a prospective view, which means extra components must be considered. The FY2020 model can now be prepared under this same decentralized approach. From the model perspective, the most important aspect is revenue generated from tuition and fees. Using the new model expansion analysis, Mr. Laws illustrated the growth of tuition and fees, as well as the growth of state appropriations and the allocation of central services and administration's cost pool totals by college.

He also illustrated how examining the new model over multiple fiscal years will allow the University's leadership to monitor and assess the financial fluctuations within individual units. As the model progresses, Mr. Laws said one will be better able to assess the impact that strategic decisions have on the fiscal sustainability of the University System.

"The variances seen in the FY2018 model epitomizes the evolving nature of higher education and highlight that the System is continuing to adapt to a changing industry with both short-term and long-term strategies," Mr. Laws said. He provided the following four key takeaways based on the FY2018 model, noting these central investments will play a critical role in supporting continued System growth.

1. While expected variances are visible from FY2017 and FY2018, the model also exposes critical decisions that were made by the deans to position their units and the System for success.

2. The multiple iterations of the model help illustrate the importance that planning, mid-year adjustments, and strong decision-making can have on year-end performance.

3. The amount required to subvene Columbia academic units with negative margins declined by nearly 30% in the FY2018 model, underscoring units' efforts to be more efficient and effective with their resources.

4. Strong tuition growth at Columbia more than offset the growth in support unit cost allocations.

Mr. Laws said Huron will continue refining reports and tools to help prepare units to make well-informed decisions when operating under the new budget model and will revise the annual budget process to enhance planning and forecasting efforts. The FY2019 budget also will be finalized in the new model format and presented to the Columbia campus deans.

In answering Trustee questions about administrative costs, Mr. Laws indicated the model allocates administrative costs based on consumption: human resources costs based on the number of employees in a unit; facilities costs based a unit's square footage. The "tax rate" is there to collect strategic and central dollars. He said the model will be completed and available soon.

Trustee Smith said there are numbers in the model that need to be validated and allocations that need to be analyzed and verified before the new model is finalized.

VI. Adjournment

With no other matters to come before the committee, Chairman von Lehe declared the meeting adjourned at 2:43 p.m.

Respectfully submitted,

J. Cantey Heath, Jr.
Secretary