

The official minutes of the University of South Carolina Board of Trustees are maintained by the Secretary of the Board. Certified copies of minutes may be requested by contacting the Board of Trustees' Office at trustees@sc.edu. Electronic or other copies of original minutes are not official Board of Trustees' documents.

University of South Carolina

BOARD OF TRUSTEES

Intercollegiate Activities Committee

June 19, 2006

The Intercollegiate Activities Committee of the University of South Carolina Board of Trustees met on Monday, June 19, 2006, at 11:55 a.m. in the 1600 Hampton Street Board Room.

Members present were: Mr. Samuel R. Foster, II, Chairman; Mr. Arthur S. Bahnmuller; Mr. Mark W. Buyck, Jr.; Mr. William C. Hubbard; Mr. Michael J. Mungo; Mr. M. Wayne Staton; Mr. Othniel H. Wienges, Jr.; Mr. Herbert C. Adams, Board Chairman; and Mr. Miles Loadholt, Board Vice Chairman. Mr. Toney J. Lister was absent. Other Trustees present were: Mr. James Bradley; Mr. John W. Fields; Ms. Rita M. McKinney; Mr. John C. von Lehe, Jr.; Mr. Eugene P. Warr, Jr.; and Mr. Mack I. Whittle, Jr.

Others present were: President Andrew A. Sorensen; Secretary Thomas L. Stepp; Executive Vice President for Academic Affairs and Provost Mark P. Becker; Vice President and Chief Financial Officer Richard W. Kelly; Associate Provost for Budget and Operations William T. Moore; Vice President for University Advancement Brad Choate; Vice President and Chief Information Officer William F. Hogue; Vice President for Human Resources Jane M. Jameson; Legal Counsel Walter (Terry) H. Parham; Chancellor of USC Aiken Thomas L. Hallman; Director of the Department of Athletics Eric C. Hyman; Chief Financial Officer, Department of Athletics, Jeff Tallant; Director of the Office of Budget Leslie Brunelli; Director of the Department of Internal Audit Alton McCoy; Professor in the Department of Exercise Science, Arnold School of Public Health, and NCAA/SEC Faculty Representative Russell R. Pate; Professor in the Moore School of Business William O. Bearden; Associate Vice President in the Office of Research and Health Sciences, and Associate Professor in the School of Journalism and Mass Communications Sonya F. Duhé; Associate Professor in the College of Mass Communications and Information Studies August Grant; University Faculty Senate Chairman Eugene C. Reeder; USC Columbia Student Government Association President Tommy Preston; USC Columbia Student Government Association Treasurer Jennifer L. Guest; Public Information Officer, Office of Media Relations, Karen Petit; University Legislative Liaison John D. Gregory; Director of University Communications, Division of University Advancement, Russ McKinney, Jr.; and members of the media.

Chairman Foster called the meeting to order and invited those present to introduce themselves. Mr. McKinney introduced members of the media who were in attendance. Chairman Foster stated that notice of the meeting had been posted and the press notified as required by the Freedom of Information Act; the agenda and supporting materials had been circulated to members of the Committee; and a quorum was present to conduct business.

I. Department of Athletics Budget: Chairman Foster called on President Sorensen to comment about the proposed FY 2006-2007 Athletics budget prior to Athletics Director Eric Hyman's presentation.

President Sorensen stated that at the last IAC meeting, discussions had taken place regarding the Athletics Department's negative cash flow which had been incurred over the past two years; funds from the Athletics Department's reserve had necessarily been utilized to operate the department.

President Sorensen reported that the Athletics Department contributed \$250,000 annually to the University's scholarship fund; this year, however, that contribution had been covered by other University funds. In addition, two commitments from the Band (\$180,000 for operating funds and \$136,000 for uniforms for a total of \$316,000) would be covered by gift matches to the Athletics Department. Also, the University had funded a total of \$566,000 in expenses that would have otherwise been assumed by the Athletics Department. The proposed budget proposal included the installation of an elevator in the Williams Brice Stadium for a total of \$275,000; the revenue to cover this expenditure would be funded from Trademark and Licensing income.

Dr. Sorensen announced that he was recommending a reduction in the non-resident undergraduate out-of-state tuition rate paid by Athletics to the larger University to 80 percent of full value. That rate would apply only to non-resident students and would amount to a savings of \$700,000 in recurring funds for the Athletics Department. President Sorensen stated that it was possible that the rate would be reduced further in the future.

Also proposed was an increase in the Athletics activity fee for full-time students from \$32 to \$64 per year. President Sorensen stated that the Administration had met with the Student Government Association officers who had unanimously supported the doubling of the student activities fee; the increase would generate another \$600,000 for the Athletics Department budget. In addition, he recommended increasing the athletics bond fee for full-time students from \$41 to \$69 per year to help with the cost of constructing and refurbishing existing facilities; this increase would generate an estimated \$525,000 in revenue per year.

President Sorensen requested that the Board endorse his recommendations and that the \$700,000 in savings related to scholarship revenue would be dedicated

exclusively to the Academic Learning Center which Mr. Hyman had expressed was his top priority.

Mr. Whittle asked where the University was relative to peer institutions regarding the student activity fee. Mr. Hyman responded that the University of Virginia received \$375 per student which equated to over \$6 million a year and the University of North Carolina received approximately \$6 million.

Prior to Mr. Hyman's presenting the FY 2006-2007 Athletics Department budget, he introduced Jeff Tallant, the Athletics Department Chief Financial Officer. Mr. Tallant was hired three months ago and had previously worked in the Internal Audit Department of the University.

Mr. Hyman gave a brief overview of the FY 2006-2007 Athletics Department budget which was developed using the "zero based budgeting" concept. He stated that "truth in budgeting" was a term to which he had been exposed three months - a term he related to reality budgeting and accountability.

Mr. Hyman reported the summary of Transfers and University support for FY 2006-2007 as follows:

\$650,000 for annual payment for indirect cost recovery;

\$54,000 for annual contribution to Student Affairs/Student Government;

\$250,000 for annual transfer for University Scholarships;

\$186,000 for annual support to the University band;

\$375,000 for matching Gifts from Foundation to University Scholarships;

\$8,200,000 for estimated full grants and aid for all student athletes. These items total \$9,715,000.

The FY 2006-2007 Department of Athletics budget proposal projected total departmental revenues of \$53,663,619 (excluding \$3,885,106: \$1,374,105 for bond seat fees in football; \$700,000 bond seat fees in men's and women's basketball; \$760,000 from student bond fees; and approximately \$1,051,000 in state admission taxes). A total of \$48,149,744 was derived from department operations and \$5,513,875 was generated by the Colonial Center. This total represented a 17 percent over the last fiscal year.

Revenues from Departmental Operations totaled \$48,149,744, a 21 percent increase which was due primarily to football ticket sales. Football Admissions was projected to total \$15,887,044, a 44 percent increase above the 2005 season. Baseball admissions would increase 19 percent (\$75,000). The men's basketball admission sales would remain the same as FY 2005-2006. The agreement among SEC schools to abolish the practice of paying out the \$200,000 guarantee for each visiting team had resulted in a reduction of revenue and expenditures of \$800,000.

Mr. Hyman reported that Gamecock Club revenues would increase 7 percent (\$875,000) because of new members and membership upgrades. The Southeastern

Conference revenue share was increased \$750,000; this increase resulted from the televising of two games by ESPN. Other revenues increased by \$1,867,097 primarily due to the recognition of media rights payments made directly to coaches per contracts.

Mr. Hyman stated that there was an increase in Personnel Services due to the 3 percent state salary increase as well as salaries for a new women's sport and health benefits for temporary employees, some of whom had worked in the department for 10 years.

Mr. Hyman stated that previously funds had not been budgeted for Information Technology upgrades; therefore, on an annual basis, the Athletics Department would set aside \$110,000 to deal with technology issues.

President Sorensen referenced the Grants-in-Aids total of \$8,189,755. Should the Board support his recommendation, that amount would be reduced by \$700,000 to be used for the Academic Learning Center.

Mr. Hyman stated that last fiscal year there was a \$2,615,000 shortfall; this year the Athletics Department anticipated a \$1,718,000 surplus.

Ms. McKinney inquired about the additional women's sport. Mr. Hyman responded that the Administration was discussing various possibilities; an announcement would be forthcoming.

Mr. Hyman and Mr. Kelly responded to other questions from members regarding the proposed budget.

President Sorensen stated that he hoped the University would move to an "All Funds Budgeting process" so that 100 percent of all revenues and 100 percent of all expenditures for every unit were presented to the President and the Chief Financial Officer. The first unit to volunteer to be incorporated into the "all funds model" for budgeting had been the Athletics Department.

Mr. Buyck inquired about the Academic Learning Center. President Sorensen responded that he had suggested the University refurbish a currently unoccupied area in the center of campus as a temporary location. His goal was to have the temporary Academic Learning Center refurbished and available not only to student athletes but student non-athletes as well by late August.

Mr. Whittle asked whether the \$700,000 funding for the Academic Center would support both programmatic and construction costs. Mr. Kelly responded that the Administration did not know the total cost for the project at this point. President Sorensen stated that if the expenditures for the permanent Academic Learning Center were greater than \$700,000, he would consider recommending to the Board a further decrease in the out-of-state tuition payments from athletics. President Sorensen stated that this matter had been discussed at length with Coach Spurrier and Mr. Hyman and they were both very excited about this prospect.

Mr. Mungo stated that if the University were going to be realistic about the Athletics Department doing all the things they needed to do we would need to bring the tuition payment rate down to at least 55 percent. President Sorensen responded that he was willing to entertain that possibility, but he would need a proforma and the matter would require further study and deliberation.

Mr. Kelly stated Dr. Sorensen had asked Mr. Hyman and his team as well as Drs. Becker and Pruitt and their teams to discuss joint use of the Academic Learning Center. In the interim, once the Board had approved the final budget, \$700,000 would be available for the Academic Learning Center. The Administration will present a project to the Buildings and Grounds Committee for a learning center project and that \$700,000 would be transferred in as one of the funding sources.

Mr. Bradley stated that the University's bond anticipation notes were usually refinanced in March. He asked the amount of the projected interest rate for one year. Mr. Kelly responded that the borrowing interest rate for the University was lower than three percent, approximately 2.8 percent or 2.9 percent; those rates, however, could change.

Mr. Foster called for a motion to recommend the Athletics Department's proposed budget to the Executive Committee for inclusion in the University's FY 2006-2007 budget. Mr. Mungo so moved. Mr. Bahnmuller seconded the motion. The vote was taken, and the motion carried.

II. Other Matters: Chairman Foster asked Secretary Stepp, Chairman Adams, President Sorensen, and Dr. Pate to come to the podium. Secretary Stepp stated that Dr. Russ Pate had represented this institution as the Faculty Athletics representative to the SEC and NCAA since 2002. In addition, he had been a distinguished scholar whose work had been supported by the National Institutes of Health, Centers for Disease Control and Prevention and the American Heart Association. His work with the U. S. Olympics Committee and membership on the University's Strategic Directions and Initiatives Committee made him one of the best citizens of this institution.

On behalf of the Board of Trustees, Secretary Stepp read and Chairman Foster presented to Dr. Pate a certificate of appreciation in recognition of his outstanding contributions and service to the University.

There were no other matters to come before the Committee, and Chairman Foster declared the meeting adjourned at 12:35 p.m.

Respectfully submitted,

Thomas L. Stepp
Secretary