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University of South Carolina

Board of Trustees

Finance and Infrastructure Committee Meeting

September 11, 2020

The Finance and Infrastructure Committee of the University of South Carolina Board of Trustees met at 2:30 p.m. on Friday, September 11, 2020 in the Pastides Alumni Center Ballroom and by Microsoft Teams.

Committee members present were Mr. Mack I. Whittle Jr., Chair; Mr. C. Dan Adams; Mr. Alex English; Dr. C. Edward Floyd; Ms. Rose Buyck Newton; Dr. C. Dorn Smith III, Board Chair; Mr. Thad H. Westbrook, Board Vice Chair; and Mr. Charles Williams. Participating via Microsoft Teams audio conference was Mr. Toney J. Lister. Mr. J. Egerton Burroughs was absent.

Other Trustees present were Mr. Richard A. Jones Jr.; Mr. Hubert F. Mobley; Ms. Leah B. Moody; Mr. Robin D. Roberts; and Mr. Eugene P. Warr. Other Trustees present via Microsoft Teams audio conference were and Mr. Miles Loadholt; Ms. Molly M. Spearman; and Mr. John C. von Lehe Jr.

Also present were USC Columbia Faculty Senate Chair Mark Cooper, USC Columbia Student Government President Issy Rushton and Board of Trustees Strategic Advisor David Seaton.

Others in attendance for the meeting were: President Robert L. Caslen Jr.; Secretary J. Cantey Heath Jr.; Vice President for Human Resources Ms. Caroline Agardy; President's Chief of Staff Mr. Mark D. Bieger; Presidential Faculty Fellow Dr. Susan Bon; President and CEO University Foundations Mr. Jason Caskey; Chief Audit Executive Ms. Pamela Dunleavy; Chancellor Palmetto College Dr. Susan Elkins; Interim Chief Development Officer Mr. William Elliott; Associate Vice President of Finance and Budget Ms. Kelly Epting; Dean of the College of Arts and Sciences Dr. Lacy Ford; Vice President for Information Technology and Chief Information Officer Mr. Doug Foster; Associate VP of Facilities Planning and

University Architect Mr. Derek Gruner; Chief Executive Officer USC Alumni Association Mr. Wes Hickman; Interim Director of Academic Programs Ms. Trena Houp; Governance Consultant Dr. Cameron Howell; Assistant to the President for System Affairs Mr. Eddie King; Executive Director of the Office for Innovation, Partnership, and Economic Engagement Mr. Bill Kirkland; Chief Procurement Officer Ms. Venis Manigo; Executive Communications Director Ms. Sally McKay; General Counsel and Executive Director of Compliance Programs Mr. Terry Parham; Chief Operating Officer Mr. Jeffrey L. Perkins; Vice President for Student Affairs and Vice Provost for Academic Support Mr. Dennis Pruitt; Special Assistant to the President Mr. James Smith; Assistant Vice President of Administrative Operations and Chief of Staff Mr. Joe Sobieralski; Director of Public Relations Mr. Jeff Stensland; Director of Athletics Mr. Ray Tanner; Executive Vice President for Academic Affairs and Provost Dr. Bill Tate IV; Vice President for Communications Mr. Larry Thomas; Executive Vice President and CFO Mr. Ed Walton; Vice President for Diversity, Equity and Inclusion Mr. Julian R. Williams and Board of Trustees staff.

Others participating by phone were Executive Director Strategic Initiatives Jack Claypoole; Interim Chancellor USC Upstate J. Derham Cole Jr.; Vice President for Research Dr. Prakash Nagarkatti; and Chancellor USC Beaufort Dr. Al Panu.

Also attending was President of the Boudreaux Group Heather Mitchell.

OPEN SESSION

I. Call to Order

Chair Whittle called the meeting to order and asked those at the table to introduce themselves.

Chair Whittle called on Secretary Heath to confirm members joining by Microsoft Teams.

Chair Whittle called on Mr. Jeff Stensland to introduce members of the press in attendance.

Mr. Stensland introduced Tyler Fedor with the *The Daily Gamecock*, Josh Kendall with the *Athletic*, Jenna Kerzyna with WLTX, Finn Carlin with SCETV, Andy Shain with the *Post and Courier* and John Whittle with Big Spur.com.

Chair Whittle 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.

MOTION TO ENTER EXECUTIVE SESSION

Chair Whittle stated there was a need for executive session to discuss proposed contractual and personnel matters. Dr. Floyd made a motion to enter executive session and Ms. Newton seconded the motion. A vote was taken, and the motion carried. The following were invited to remain: Trustees, President Caslen, Secretary Heath, the President's Cabinet, Dr. Cooper, Ms. Rushton, Mr. Seaton, Mr. Elliott, and Ms. Dunleavy.

EXECUTIVE SESSION

RETURN TO OPEN SESSION

II. Finance Update

Chair Whittle called on Mr. Ed Walton for a finance update.

Mr. Walton stated USC expects to incur more than \$65 million in extra costs to mitigate the effects of the novel coronavirus. Included in that cost are more than \$20 million in student fees for housing, parking, food services and other fees effected by campus closings. Administrative costs are being reduced by nearly 11% to provide \$27 million in direct savings to support the academic mission of the University. The University has managed this without additional support from state taxpayers and without increasing tuition. Under President Caslen's leadership, the University has set a path to reshape and redefine administrative and academic priorities to secure a successful future. USC is making headway with initiatives such as restrictive travel, controlling hiring authorizations, reducing contract expense, and eliminating waste and duplication of effort. USC has received \$10.7 million in CARES Act funding. A 10% reduction in enrollment was planned, which translated to a \$59 million reduction in tuition and auxiliary revenue. However, due to the hard work of the Admissions Office, Bursar's Office, and Deans' Offices, we did not experience a dramatic reduction in overall enrollment. The expected \$59 million was in fact down to just \$12 million. The \$47 million will flow to the academic units, per our budget model, as the University holds hard to the cost reductions in administration. There are still major challenges.

Mr. Walton stated he would be available for questions, but would like to present Director of Athletics Mr. Ray Tanner; Assistant Vice President for Finance and Budget Kelly Epting; Executive

Director of University Foundations Jason Caskey; and Chief Information Officer Doug Foster respectively to provide more detail.

A. Athletics Financial Model / Updated Budget Proposal Fiscal Year 2020-21

Mr. Walton introduced Athletics Director Ray Tanner for an update on the Athletic Financial Model and Budget Proposal for fiscal year ending June 2021.

Mr. Tanner stated he stood before the Committee approximately three months ago and shared budget information that was normal as the University goes from year-to-year but since then we all realize we are in an unprecedented time. Although there is a long way to go in the fiscal year, he would share where we are on September 11, 2020 and the challenges of the Athletic Department. Mr. Tanner presented the Executive Summary, which outlined budget model assumptions based on best information available at this time. There are five home SEC football games with approximately 20,000 fans in attendance which was set by Department of Commerce guidelines and approved by the State. There will also be five away games. Other sports (Basketball, Baseball, Softball, etc.) will play at 20% attendance capacity. There will be no shows at the Colonial Life Arena. Mr. Tanner shared that the Executive Summary also includes furloughs for staff, coaches, and 10% pay cuts for the Athletics Director, Head Football Coach, and Men's and Women's Head Basketball Coaches, respectively. All together these amount to departmental wide budget cuts of \$10.3 million and Mr. Tanner stated efforts would continue to increase this number.

Mr. Tanner compared original Athletic Department budgeted revenue of \$127 million to revised forecasted Department revenue of \$69 million. Key drivers contributing to the revenue reduction are Ticket Sales, SEC/NCAA Distributions, Gamecock Club and Premium Seating. Mr. Tanner offered revised budget scenarios for rationale used in preparing specific revenue budgeted line items. Next, he compared the original Athletic Department expenses of \$114 million to revised, forecasted Department expenses of \$103 million due to the cost saving mentioned in the executive summary. As a result of the revised forecast, Mr. Tanner explained the Athletic Department Summary Budget operating revenue over expenditures before transfers. The original budget anticipated transferring over net profit of \$12.9 million but is now projecting transferring a \$34.8

million loss which is a significant variance from the original budget submitted three months ago. In summary, Mr. Tanner emphasized they would continue to look for ways to cut costs.

Chair Whittle thanked Mr. Tanner for his presentation and stated it was received as information.

B. Fall Operations Updates

Chair Whittle called on Associate Vice President for Finance and Budget Ms. Kelly Epting to give an overview of Finances. Ms. Epting stated she would focus on three areas: 1) Fall Financial Update; 2) State Budget Funding Request; and 3) one Off-Cycle Fee Request.

Ms. Epting began with a graphic of the University's Cost Savings and Transformation Structure which President Caslen briefed the Board in August. She stated this structure outlined the system put in place by the University that presents a high level of accountability. Ms. Epting next outlined the timeframe established by this system. She advised analysis and discussions would continue, with initial recommendations due in October 2020. The next step would be refinement before final recommendations. Implementation planning is scheduled for January 2021 with actual implementation scheduled for July 2021 (Fiscal Year 2022). Ms. Epting reviewed the impacts of the pandemic prior to cost savings and mitigation strategies. She advised more precise reporting would be available in December 2020.

Next Ms. Epting outlined the state budget request which is a collaborative effort. First classifications of items turned into the state for funding are Provisos which are not specific dollar requests but allow regulatory relief and give authorization for capital projects. Provisos include Higher Education Repair and Renovation Fund, Permanent Improvement Project Thresholds, and Educational Scholarships for in-state students – Access and Affordability. Actual dollar amounts requested were outlined for Columbia, as well Comprehensive Campuses and Palmetto College Regional Campuses. All items will be submitted in late September, with hearings scheduled in January before going to the Senate Finance Committee in late March or early April.

Finally, Ms. Epting presented an Off-Cycle Fee Request for the Darla Moore School of Business Master of International Business – Live. This is a collaboration with Shorelight which leverages proprietary LIVE technology to replicate the classroom setting with state-of-the-art

technology. This will allow professors to be in the United States while allowing students remain in their home country. The request depicted the established tuition and Ms. Epting stated if approved, marketing will begin in the Fall 2020.

Chair Whittle thanked Ms. Epting and stated action was required on the Off-Cycle Fee Request. Dr. Floyd made a motion to recommend full Board approval of the off-cycle fee request for the DMSB Master of International Business – LIVE. The motion was seconded by Mr. Adams and the motion carried unanimously.

III. Development Foundation Board Update

Chair Whittle called on the Chief Executive Officer USC Foundation Mr. Jason Caskey for a Development Foundation update. Mr. Caskey began by thanking Trustee Dan Adams who served on the Foundation Board and Mr. Ed Walton who provides support. Mr. Caskey stated the mission of the USC Foundation is to support the University in acquiring, developing, and managing real estate and other assets to serve the needs of the University. The USC Foundation is a separate 501(c)3 organization which operates independently of the University and seeks traditional bank sources of financing. Mr. Caskey reviewed key property holdings. He advised the Wheeler Hill property was sold in January. Two purchases were made in the last eighteen months: the parking lots surrounding the old SC bookstore which consisted of .38 acres; and the Synovus Bank branch and land at the corner of Pendleton and Sumter Streets. Two properties under contract included the Columbia Venture, LLC, and the Indoor tennis facility.

Mr. Caskey stated the 650 Lincoln Street housing and parking facilities was significantly impacted by the pandemic. The facility followed USC policy of refunding housing and parking fees. Fortunately, the property had a cash reserve account which serviced the debt in the May and June time frame which offset the refunds. The Graduate Hotel suffered a minor impact of two months of rent deferral. Overall, the Foundation fared well with a strong balance sheet and significant amount of liquidity. Mr. Caskey outlined current strategic priorities of the Foundation announced new officers elected for the first time in four years.

Dr. Floyd asked if the Synovus Bank building would be repurposed or if plans were to demolish the existing building on the property. Mr. Caskey advised initial plans would be to use the

building. Dr. Floyd asked if the Foundation Board felt it was advantageous to sell The Graduate Hotel. Mr. Caskey advised the Foundation Board felt it was.

Chair Whittle thanked Mr. Caskey for the report and stated it was received as information.

IV. IT Security Framework Update

Chair Whittle called on Vice President for Information Technology and Chief Information Officer Mr. Doug Foster for an IT Security Framework Update.

Mr. Foster stated the purpose of his presentation was to advise the IT infrastructure and interfacing systems represent a substantial risk to the University. That risk has increased lately as remote operations have increased. The University is currently moving to an international Cybersecurity Framework (CSF), which allows benchmarking as the universal standard. This allows very specific, measurable levels of security compared to peer operations. Mr. Foster referenced a recent article in *The Association of Governing Boards* that emphasized the importance of the CSF. He stated that moving to the CSF would allow Boards to manage risk by making informed and educated decisions on security investments as they are important business decisions. It also allows easier translation for compliance (PCI, HIPPA, etc.) as direct mappings to the CSF are readily available. Control self-assessment previously done on an annual basis will now be conducted on a quarterly basis. He advised the dashboard was the most critical part of the discussion and he would provide more information at the appropriate time.

Chair Whittle thanked Mr. Foster for his report and stated it was received as information.

V. Infrastructure Items

A. Planning Update

Chair Whittle called on Associate Vice President of Facilities Planning and University Architect Mr. Derek Gruner for an Infrastructure update. Mr. Gruner advised the William Brice Stadium renovation project was complete and within budget. The renovation project improved the East, Southeast, South, Southwest, and West sides of the stadium. It created numerous clubs, added restrooms and concession facilities, replaced some stadium seats, and created load seating. The clubs are themed and inspired by campus history. Mr. Gruner stated the Gamecock sculpture arrived in

five pieces on September 10th and would be assembled and in place before the first football game on September 26. A second sculpture of A'ja Wilson is proceeding smoothly.

The first action item Mr. Gruner presented was Phase II of the West Campus Parking Development. The project will develop on-grade asphalt-paved parking to serve the Greek Village residents and non-resident fraternity and sorority members. The work will abate and demolish two existing 1-story buildings and provide 275 parking spaces with access from Devine Street. The project will first relocate academic programs for School for the Visual Arts and Design and Theatre. A large shell space at the 707 Catawba Street building will be upfitted to accommodate the programs. Associated site work and envelope repair will also occur. Once the programs are relocated, site work for parking will begin.

Dr. Floyd made a motion to recommended full Board approval to fund Phase II design and construction of the West Campus Parking Development for a total project budget of \$4,240,000 to be funded with the Greek Parking Student Fees. Mr. English seconded the motion. A vote was taken, and the motion unanimously carried.

Next Mr. Gruner presented the John M. Palms Graduate Science Research Center Roof Replacement project. The project will remove the existing 36,000 square foot roof and replace it with a new modified roof system with a twenty-year warranty.

Ms. Newton made a motion to recommend full Board approval to establish and fully fund the Graduate Roof Replacement project with a budget of \$950,000 to be funded with Institutional Capital Project Funds. Mr. Williams seconded the motion. A vote was taken, and the motion unanimously carried.

Mr. Gruner next presented the Booker T. Washington renovation project. This primarily maintenance project will refurbish the historic metal windows in addition to other minor repairs.

Dr. Floyd made a motion to recommend full Board approval to establish and fully fund The Booker T. Washington Renovation project with a budget of \$500,000 to be funded with Federal Grant Funds. Mr. Adams seconded the motion. A vote was taken, and the motion unanimously carried.

Mr. Gruner presented information on the Wedge Plantation which is for sale. The Wedge property is comprised of approximately 1000 acres of marsh land in Georgetown County and approximately 500 acres of wooded and pastured grounds with ponds in Charleston County. This item was discussed in 2013. In July and August of this year the property was advertised, and three bids have been received over the appraised value. Approval was requested to dispose of the Wedge property for the highest bid in excess of the appraised value.

Dr. Floyd made a motion to recommend full Board approval to dispose of the Wedge property for the highest bid in excess of the appraised value of \$3,200,000. Mr. English seconded the motion. A vote was taken, and the motion carried unanimously.

Mr. Gruner next requested authorization to lease the National Advocacy Center space with the University, as landlord, and the Department of Justice, as tenant. The lease agreement called for extending the cooperative agreement an additional 20 years, through 2043 at \$11.99 per square foot, 1.5% annual escalation and direct payment for utilities. Total net lease revenue in year one is \$1.84 million plus utilities. Total aggregate value of the agreement exceeds \$42.4 million plus utilities.

Dr. Floyd made a motion to recommend full Board approval to lease the National Advocacy Center space to the Department of Justice for the period of April 1, 2023 through March 31, 2043, under the terms presented. Mr. Adams seconded the motion. A vote was taken, and the motion unanimously carried.

VI. Gift Naming Opportunities

Chair Whittle stated the following gift naming opportunities were presented in Executive Session without objection.

A. Athletics

1. Salvage Family Creative Media Suite

Chair Whittle called for a motion for approval of the Salvage Family Creative Media Suite Athletic gift naming opportunity. Mr. Adams made the motion which was seconded by Mr. English. A vote was taken, and the motion carried.

B. College of Information and Communications

1. Addie Hunt Staples Office

Chair Whittle called for a motion for approval of the Addie Hunt Staples Office in the College of Information and Communications. Mr. Adams made the motion which was seconded by Mr. English. A vote was taken, and the motion carried unanimously.

2. The Lisabeth Sisk Office

Chair Whittle called for a motion for approval of the Lisabeth Sisk Office in the College of Information and Communications. Ms. Newton made the motion which was seconded by Mr. Williams. A vote was taken, and the motion carried unanimously.

C. College of Social Work

1. The Joan P. Hanner Family Office for Behavioral Health – Amendment

Chair Whittle called for a motion for approval of the Joan P. Hanner Family Office of Behavioral Health Amendment in the College of Social Work. Mr. Adams made the motion which was seconded by Mr. Williams. A vote was taken, and the motion carried unanimously.

Chair Whittle stated these gift naming opportunities would be presented to the full Board for approval later today.

VII. Adjournment

There being no other matters on the agenda, Chair Whittle adjourned the meeting at 3:40 p.m.

Respectfully submitted,

J. Cantey Heath, Jr.
Secretary