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University of South Carolina

BOARD OF TRUSTEES

Finance and Infrastructure Committee

March 12, 2021

The Finance and Infrastructure Committee of the University of South Carolina Board of Trustees met at 10:30 a.m. on Friday, March 12, 2021, in the Pastides Alumni Center Ballroom and by Microsoft Teams video conference.

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

Other Board members present were Mr. Brian C. Harlan; Mr. Richard A. Jones Jr.; Mr. Miles Loadholt; Mr. Hubert F. Mobley; Ms. Leah B. Moody; Ms. Emma W. Morris; Mr. Robin D. Roberts; and Mr. Eugene P. Warr Jr. Board members present by Microsoft Teams video conference were Ms. Molly M. Spearman and Mr. John C. von Lehe Jr.

Also present were USC Columbia Faculty Senate Chair Dr. Mark Cooper and USC Columbia Student Government President Ms. Issy Rushton. Board of Trustees' Strategic Advisor Mr. David Seaton participated by Microsoft Teams video conference.

Others in attendance were President Robert L. Caslen Jr.; Secretary J. Cantey Heath Jr.; Assistant Secretary Cameron Howell; Vice President for Human Resources Caroline Agardy; Vice President of Health and Wellness and Executive Director of Student Health Services Deborah Beck; President's Chief of Staff Mark Bieger; Presidential Faculty Fellow Susan Bon;

President and CEO of University Foundations Jason Caskey; Executive Director of Strategic Planning Jack Claypoole; Interim Chancellor of USC Upstate Derham Cole; Assistant Director of Facilities Administration and Finance Jason Cone; Vice President for Development Monica Delisa; Associate Vice President of Facilities Services Jim Demarest; Chief Audit Executive Pamela Dunleavy; Chancellor of Palmetto College Susan Elkins; Associate Vice President of Finance and Budget Kelly Epting; Vice President of Information Technology and Chief Information Officer Doug Foster; Associate Vice President of Facilities Planning and University Architect Derek Gruner; USC School of Medicine Columbia Dean and Chief Academic Officer of Prisma Health Midlands Les Hall; USC Columbia Student Government President-elect Alex Harrell; Chief Executive Officer of the USC Alumni Association Wes Hickman; Associate Director Office of Distributed Learning Trena Houp; Senior Associate Provost for Social Innovation and eLearning Diana Hill-Mitchell; President of The Boudreaux Group Heather Mitchell; Chancellor of USC Aiken Sandra Jordan; University Controller Mandy Kibler; Assistant to the President for System Affairs Eddie King; USC Columbia Faculty Senate Chair-elect Audrey Korsgaard; Director of State Government Relations Derrick Meggie; Chancellor of USC Beaufort Al Panu; General Counsel and Executive Director of Compliance Programs Terry Parham; Assistant Dean for Finance and Administration Derek Payne; Chief Operating Officer Jeff Perkins; Director of Administration and Finance Felicia Poston; Vice President for Student Affairs and Vice Provost Dennis Pruitt; Interim Executive Communications Director Amy Rogers; Senior Associate Dean for International Programs and Partnership at the Darla Moore School of Business Kendall Roth; Interim Dean of the College of Arts and Sciences Joel Samuels; Special Assistant to the President James Smith; University Treasurer and Assistant Vice President of Administrative Operations and Chief of Staff Joe Sobieralski; Assistant Vice President of

Media and External Engagement Jeff Stensland; Director of Athletics Ray Tanner; Executive Vice President for Academic Affairs and Provost Bill Tate; Vice President for Communications Larry Thomas; Executive Vice President and Chief Financial Officer Ed Walton; Vice President for Diversity, Equity and Inclusion Julian Williams; and Board of Trustees support staff.

OPEN SESSION

I. Call to Order

Chair Whittle called the meeting to order, welcomed everyone, and asked Trustees in the room to introduce themselves. Secretary Heath confirmed Trustees attending by Microsoft Teams video conference.

Chair Whittle called on Mr. Jeff Stensland to introduce members of the media. Mr. Stensland introduced Lucas Daprile with the *State*.

Chair Whittle stated notice of the meeting and agenda had been posted and the press notified as required by the Freedom of Information Act; the agenda and supporting materials had been circulated to the Committee; and a quorum was present to conduct business.

MOTION FOR EXECUTIVE SESSION

Chair Whittle advised there was a need for an Executive Session to discuss a proposed contractual matter pertaining to a gift naming opportunity. Mr. Adams made the motion to enter Executive Session and Mr. English seconded the motion. A vote was taken, and the motion carried unanimously. Chair Whittle invited the following to remain: Trustees, President Caslen, Secretary Heath, Assistant Secretary Howell, Dr. Cooper, Ms. Rushton, Mr. Seaton, members of the President's Executive Council, and Board of Trustees support staff.

EXECUTIVE SESSION

– Executive Session Removed –

RETURN TO OPEN SESSION

II. Approval of Gift Naming Opportunity

Chair Whittle stated an Athletics' gift naming opportunity was presented in Executive Session without objection. He called for a motion to approve the Athletics' gift naming opportunity for the Kevin O'Connell Bench as presented and posted to the Board portal. Dr. Floyd so moved, and Mr. Adams seconded the motion. A vote was taken, and the motion carried unanimously. Chair Whittle stated this gift naming opportunity would be included on the Finance and Infrastructure Committee consent agenda for approval at the next regularly scheduled Board meeting.

III. Planning Update

Chair Whittle called on Executive Vice President and Chief Financial Officer Ed Walton for introductory comments on planning updates. Mr. Walton stated the Finance and Administration Department prepared several key updates to present to the Board regarding future planning endeavors. In addition, an in-depth budget update with supporting materials was posted to the Board Portal, and a report on future cost savings measures would be presented by President Caslen. He invited Chief Operating Officer Jeff Perkins and Associate Vice President of Facilities Planning and University Architect Derek Gruner to present planning updates.

A. Utility Master Plan

Mr. Perkins presented the campus energy initiative for the utility master plan. He explained on November 15, 2019 the Board was informed that a utility master plan would be forthcoming for review. Mr. Perkins stated the first step was completed by

this initial utility master plan. The next step includes scheduling and completing the projects within available resources identified by the five-year plan to evaluate possible strategies and partners. The final step includes Board approval and leadership authorizations to move on final strategies or partnerships.

Chair Whittle thanked Mr. Perkins and stated this report was received as information.

B. Five-Year Capital Improvement Plan

Chair Whittle called on Mr. Derek Gruner to present the five-year capital improvement plan. Mr. Gruner advised the five-year capital improvement plan aligns the facility priority needs with available funding. The plan presents all capital projects exceeding \$250,000 regardless of fund source, subject to Board approval. He stated the goal is for this comprehensive plan to be posted to the Board portal for review each year at the first quarterly meeting of the Finance and Infrastructure Committee. This will allow Board members time to anticipate and access projects that will be forthcoming for approval.

Chair Whittle stated this report was received as information.

C. Comprehensive Permanent Improvement Plan (CPIP)

Chair Whittle called on Mr. Gruner to present the Comprehensive Permanent Improvement Plan (CPIP). Mr. Gruner presented the CPIP which captures all permanent improvement projects for the next five fiscal years by assigning projects to the year in which the phase one approval will be requested. He stated the University must update and submit the CPIP to the Commission on Higher Education and the Department of Administration annually in late June. CPIP. The CPIP includes all

seven of the University's campuses. Chair Whittle stated this report was received as information.

D. South Caroliniana Library Renovation

Chair Whittle called on Mr. Gruner to present the South Caroliniana Library renovation. Mr. Gruner stated most construction projects were suspended due to COVID-19 with one notable exception, which was the renovation and restoration of the South Caroliniana Library. This project was funded with \$5 million of state appropriations and \$5 million of private gifts; therefore, no University funds were used for this project. Mr. Gruner presented highlights of the renovation project.

Chair Whittle stated this report was received as information.

V. Project Approvals

A. Phase One Approvals

1. Health Science Campus – Medical Teaching and Research Facilities

Mr. Gruner presented Phase One of the Health Science campus for approval. Mr. Gruner advised the current USC Columbia School of Medicine lease expires in 2030, at which time the Dorn Veteran's Administration Hospital will begin reclaiming the space to address expansion needs. The cost to bring the current leased space to modern serviceable condition for another generation of medical students is estimated to exceed \$220 per square foot or \$75,000,000. Relocation of the USC Columbia School of Medicine to a new campus closer to the University's main campus and clinical partners reflects a more operational and cost-effective paradigm. Board approval was sought for the phase one design that will set the project on a course that will lead to the selection of an external development team to work with USC to design the

project. Mr. Gruner presented a conceptual first site plan and estimated funding sources, along with an estimated timeline.

Mr. von Lehe asked Mr. Gruner when he expects a final project cost. Mr. Gruner clarified the approval requested at this meeting was to establish the Health Sciences Campus Medical Education and Research Facilities phase one design with a budget of \$4,200,000 funded with grant-generated (IDC Reserve) funds. He stated the phase one design could take up to 1 ½ years and it is this process that will lead to a refined total project cost.

Chair Whittle called for a motion to approve the Phase One design of the Health Science Campus Medical Education and Research Facilities as presented and posted to the Board portal. Dr. Floyd so moved, and Mr. Lister seconded the motion. A vote was taken, and the motion carried.

2. Wardlaw College Maintenance Renovation

Mr. Gruner presented the Phase One Wardlaw College exterior maintenance renovation for approval. The Phase One renovation project will replace leaking non-historic windows that are allowing moisture intrusion which is damaging interior plaster finishes. Mr. Gruner stated Board approval is requested to establish this project for Phase One design with a budget of \$66,000 funded with Institutional Capital Project Funds.

Chair Whittle called for a motion to approve the Phase One design of the Wardlaw College maintenance renovation as presented and posted to the Board portal. Ms. Newton so moved, and Dr. Floyd seconded the motion. A vote was taken, and the motion carried.

3. West Energy Plant Chiller Replacement

Mr. Gruner presented the Phase One west energy plant chiller replacement project for approval.

Chair Whittle called for a motion to approve the Phase One west energy plant chiller replacement project as presented and posted to the Board portal. Dr. Floyd so moved, and Mr. Lister seconded the motion. A vote was taken, and the motion carried.

B. Phase II Approvals

– Colonial Life Arena Roof Replacement

Mr. Gruner presented the Phase Two Colonial Life Arena roof replacement for approval.

Chair Whittle called for a motion to approve the Phase Two design and construction of the Colonial Life Arena roof replacement to be funded with Athletics' operating funds and presented and posted to the Board portal. Mr. Adams so moved, and Mr. Williams seconded the motion. A vote was taken, and the motion carried.

C. Other Approvals

Chair Whittle stated nineteen additional projects were posted on the agenda with supporting material posted to the Board portal. He asked Board members to review the list and ask questions of Mr. Gruner before calling for a single motion for approval. Chair Whittle stated, when these projects are approved, the master utility plan would be updated. He asked that the utility master plan be presented at least once a year to the Board.

The nineteen projects presented, amounts, and proposed funding included the following:

- 1) Earth & Water Sciences Building Roof Replacement (\$500,000; ICPF)
- 2) Longstreet Annex Roof Replacement (\$300,000; ICPF)
- 3) McCutchen House/Lieber College Envelope Renovations (\$900,000; ICPF)
- 4) Sprinkler Installation FY21 (\$750,000; ICPF)
- 5) Humanities Classroom Building HVAC Renovation (\$975,000; ICPF)
- 6) Facilities Mgmt. Bldg. HVAC/Electrical System Replacement (\$975,000; ICPF)
- 7) Campus EMS FY22 (\$500,000; ICPF)
- 8) Energy Plant Repairs and Modifications FY22 (\$950,000; ICPF)
- 9) Central Steam/Condensate Repairs FY22 (\$275,000; ICPF)
- 10) Electrical Infrastructure Repair and Replacement (\$975,000; ICPF)
- 11) ADA Restroom Compliance FY22 (\$300,000; ICPF)
- 12) Humanities Classroom Building Interior Renovation (\$900,000; ICPF)
- 13) Close-Hipp Restroom Renovations for HRSM (\$975,000; Institutional)
- 14) Baruch Researcher's Duplex Residence Construction Total (\$405,157); Federal Grant (\$356,437) / Institutional (\$48,720)
- 15) USC Aiken Pacer Downs Fire Alarm Replacement (\$700,000; USC Aiken Housing Maintenance Reserve)
- 16) USC Aiken Penland Building Roof Replacement (\$850,000; USC Aiken Institutional Funds)
- 17) USC Sumter Lab Building Renovation (\$975,000; USC Sumter Institutional Funds)
- 18) USC Upstate 151 Smith Circle Acquisition (no acquisition cost)
- 19) USC Upstate 8000 Valley Falls Road Acquisition (no acquisition cost)

Chair Whittle called for a motion to approve the nineteen other projects as presented and posted to the Board portal. Mr. Adams so moved, and Mr. Williams seconded the motion. A vote was taken, and the motion carried.

Ms. Newton asked for an update on the Capstone elevator project. Mr. Gruner informed University Housing is moving forward on the Capstone elevator project. There are three elevators and approved funding was \$900,000 to work on each incrementally. Preliminary estimates indicate the cost may slightly exceed \$900,000, and he has the authority to authorize the incremental increase in cost and then report back to the Board. Chair Whittle asked when the work would begin. Mr. Gruner stated the goal is to make some improvements by the fall of 2021.

V. Campus Village Update

Chair Whittle called on Executive Vice President for Administration and Chief Financial Officer Ed Walton for introductory comments on the Campus Village project. Mr. Walton reminded the Board this revenue-generating project was placed on hold last June due to the uncertainties surrounding the impact of COVID-19. Since that time, the project was reassessed and an update was presented to the Board last fall. He asked Mr. Gruner to present an update on the project work being performed on site, followed by Barclay's, which would provide a briefing on debt, specifically as it relates to the Campus Village project.

Mr. Gruner advised current activity, which will continue throughout the spring, is concentrated on continued demolition of the Cliff Apartments and utility site work. This work will prepare the site for construction scheduled to begin in May. The project will still provide 1,545 net additional beds, four new residential buildings, and a transportation hub of 636,090 square feet.

Chair Whittle asked if the University had enough beds on campus to accommodate freshman and most sophomores. Mr. Gruner asked Vice President for Student Affairs and Vice Provost Dennis Pruitt to comment. Dr. Pruitt stated several years ago the goal was to house all freshman and sophomore students on campus. He stated research shows students

housed on campus for the first two years increases the retention rate and student success. Currently the University does not have the capacity to meet the goal. He stated the Campus Village project will certainly help; however, the exiting high-rise resident buildings on campus also need to be modernized to accommodate the need. Chair Whittle thanked Mr. Gruner and stated this update was received as information.

Mr. Walton introduced Christoph Muelbert with Barclays. Mr. Muelbert stated interest rates continue to be favorable and from a supply and demand, technical market perspective, the environment is favorable for issuers such as the University. The University's credit rating and credit profile remains strong as recently attested by Standard & Poor's. All of this, taken together, positions the University very well for the Campus Village project financing. Mr. Muelbert stated, even at the height of the pandemic, higher education institutions had ready market access. Moody's rates 204 public universities, with a median rating of "A1," of which the University of South Carolina is rated in the top quartile. Large, diversified institutions, such as the University, are better positioned to cope with uncertainty and change in the financial market. Both Moody's and Fitch recently affirmed the University's strong credit ratings.

Mr. Muelbert reviewed the University's debt profile. Mr. Muelbert stated the University's current position is more favorable than 1 ½ years prior, when the Board approved the Campus Village project.

Chair Whittle asked if Mr. Muelbert would clarify for the benefit of newer Board members if Athletic bonds were rolled into the University's total rating and provide an overall outlook on the higher education sector. Mr. Muelbert confirmed Moody's considers athletics data as well as the primary higher education revenue bonds. Mr. Muelbert stated the three credit agencies continue to have higher education on a negative outlook; however, the rating

agencies have been careful to note there are very distinct differences between types of institutions and how they are affected. He stated it is largely the private institutions or regional public institutions that are struggling. Chair Whittle asked Mr. Muelbert to provide the criteria used by the credit agencies to determine overall ratings and an overview of the ones the University lacked compared to other higher-rated universities. Mr. Meulbert stated he would follow up with a more thorough analysis. Mr. Warr asked for a list of the 204 universities ranked and their ratings. Mr. Muelbert stated he would provide this information.

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

VI. Budget Updates

Chair Whittle stated, in the essence of time, there would not be a review of the current year budget, the FY22 preliminary budget, or an update on the CARES Act/HEERF. He stated supporting materials for these agenda items were posted to the Board Portal, and Mr. Walton would be available to answer any questions.

VII. Request for New Fee

Chair Whittle called on Associate Vice President of Finance and Budget Kelly Epting to present a new fee request for approval. Ms. Epting presented the Darla Moore School of Business Master of Science in Business Analytics (MSBA) fee request for approval. The MSBA is a 30-credit-hour program structured to be completed in one year. The program is priced at \$1,100/per credit hour or \$33,000 for the program. The request was for a non-resident rate to equal the resident rate, which would mirror the tuition of the Professional Master of Business Administration program. Ms. Epting presented estimated enrollment and revenue streams over the first four years.

Chair Whittle called for a motion to approve the Darla Moore School of Business Master of Business Analytics fee as presented and posted to the Board portal. Mr. Adams so moved, and Dr. Floyd seconded the motion. A vote was taken, and the motion carried.

VIII. Revenue Generation and Cost Savings Update

Chair Whittle called on President Caslen to present an update on revenue generation and cost savings. President Caslen reviewed the cost savings strategies implemented since fiscal year 2018-19. He stated the University engaged a consultant, EAB, for recommendations on additional cost-saving strategies beyond those implemented. EAB presented initial recommendations to the Finance and Infrastructure Committee at its November 13, 2020 meeting. President Caslen called on Executive Vice President and Provost Bill Tate to comment on the collaborative effort faculty and staff undertook in evaluating each EAB recommendation.

Provost Tate stated the first recommendation by EAB included reducing instructional costs by defining a process to realign instructional resources with student demand and reduce reliance on adjuncts. He stated, in addressing this recommendation, EAB did not take into consideration that every other month recommendations come before the Board to add new programs and sunset existing programs. The fact that the University of South Carolina has a process to eliminate programs that are not financially viable is best practice. He agreed with EAB's recommendation to examine faculty loads with respect to teaching and research. He stated the cost savings was not deep on this recommendation; however, it would help in balancing and calibrating instructional staff and research effort.

President Caslen stated the second EAB recommendation including reducing academic administrative overhead by engaging deans and faculty in a process to merge some colleges to achieve economies of scale. He stated internal analysis concluded there was no

evidence to substantiate the recommendation and in fact it might put the University in a position where costs increased. He called on Provost Tate to comment on the recommendation.

Provost Tate stated the EAB recommendation pointed to the possible combination of schools as a cost savings measure. He stated the recommendation was not well analyzed because of the unique accreditation standards of each school.

President Caslen stated EAB's third recommendation included growing tuition revenue by expanding capacity in high-demand programs that are currently turning away highly qualified students. The President's recommendation included working with the Provost and deans of the Darla Moore School of Business, College of Engineering and Computing, and the College of Social Work to implement plans for new programs to allow for enhanced revenue generation. The recommendation also included an increased focus on the bridge program(s) with Palmetto College to include necessary support services in making baccalaureate and master's degrees accessible.

President Caslen stated EAB's fourth recommendation included growing tuition revenue by improving marketing and program attractiveness for existing masters and professional programs with high employer demand. He stated, through careful considerations with the deans, the University can increase graduate enrollment in the Darla Moore School of Business, College of Engineering and Computing, and College of Social Work. Measured growth of international and non-resident students can generate additional revenue while also allowing fulfillment of the flagship's mission to the state.

President Caslen stated the final recommendation from EAB included reducing reliance on residential undergraduate tuition by building the infrastructure to support growth

in online education. He stated the revenue estimated may not be as significant as EAB suggested and recommended a continued focus on building the online enterprise.

President Caslen thanked the faculty and administration teams that carefully evaluated each recommendation. He stated the University is in a strong financial position due in large part to the cost-savings initiatives, disciplined execution of the budget, and federal relief due to COVID-19. Dr. Smith commented that the budget model Mr. Whittle and others worked on has served the University well. He applauded the work of the President, Provost Tate, and administration for the success of the cost saving measures and encouraged the effort to continue.

Chair Whittle thanked President Caslen and stated the update was received as information.

IX. Other Matters

Chair Whittle advised the Finance and Infrastructure Committee had put together a calendar and matrix. Recurring items that need to come before the Committee will be placed on the calendar.

Chair Whittle called for any other matters to come before the Committee. There were none.

X. Adjournment

There being no other matters to come before the Committee, Chair Whittle declared the meeting adjourned at 12:30 p.m.

Respectfully submitted,

J. Cantey Heath, Jr.
Secretary