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University of South Carolina

Board of Trustees

Ad Hoc Advisory Committee on Finance – Called Meeting

May 21, 2020

The Ad Hoc Advisory Committee on Finance of the University of South Carolina Board of Trustees met at 10:00 a.m. on Thursday, May 21, 2020, by telephone conference, hosted from Room 206-B of the Osborne Administration Building.

Committee members participating by telephone were Mr. Mack I. Whittle Jr., Chair, Mr. Robert F. Dozier Jr., Ms. Rose Buyck Newton, Dr. C. Dorn Smith III, Mr. Hubert F. Mobley, Board Vice Chair, and Mr. John C. von Lehe Jr., Board Chair.

Other Trustees participating by telephone were Mr. C. Dan Adams, Mr. Chuck Allen, Mr. J. Egerton Burroughs, Mr. A. King Dixon II, Mr. William C. Hubbard, Mr. Richard A. Jones Jr., Mr. Toney J. Lister, Ms. Leah B. Moody, Ms. Molly M. Spearman, and Mr. Charles H. Williams.

Also participating by telephone were USC Faculty Senate Chair Dr. Mark G. Cooper and USC Columbia Student Government President Ms. Issy Rushton.

Participating in person were President Robert L. Caslen Jr., Secretary J. Cantey Heath Jr., Presidential Fellow Susan C. Bon, Associate Vice President for Finance and Budget Kelly M. Epting, Assistant Vice President and Chief of Staff Division of Administration and Finance Director Joe Sobieralski, Director of Public Relations Jeff Stensland, Vice President for Communications Larry Thomas, Executive Vice President for Administration and CFO Ed Walton, and Board of Trustees staff member Delphine Bigony.

Others participating by telephone were Vice President for Human Resources Caroline Agardy, President's Chief of Staff Mark D. Bieger, Special Events Director Pamela Bowman, Senior Associate Vice President for Student Affairs and Academic Support Stacey Bradley, Dean, USC Union John Catalano, Executive Director for Strategic Initiatives Jack Claypoole, Chancellor, USC Upstate Derham Cole, Dean, USC Lancaster Walt Collins, Dean, Palmetto College Columbia Ron Cox, Chief Audit Executive Pamela A. Dunleavy, Palmetto College Chancellor Susan A. Elkins, Vice President for Information Technology and Chief Information Officer Doug R. Foster, Interim Executive Vice President for Academic Affairs and Provost Tayloe Harding, Chief Executive Officer, My Carolina Alumni Wes Hickman, Chancellor, USC Aiken Sandra Jordan, Assistant to the President for System Affairs Eddie King, Executive Director of Economic Engagement William D. Kirkland, Director of Executive Communications Sally McKay, Director of Government Relations R. Derrick Meggie, Vice President for Research Prakash Nagarkatti, Dean, USC Salkehatchie Chris Nesmith, General Counsel and Executive Director of Compliance Programs Terry H. Parham, Director of Public Policy and Advocacy Craig Parks, Chief Operating Officer Jeffrey L. Perkins, Vice President for Student Affairs and Vice Provost for Academic Support Dennis A. Pruitt, Executive Assistant to the President, Equal Opportunity Programs Cliff Scott, Special Assistant to the President James Smith, Dean, USC Sumter Mike Sonntag, and Director of Athletics Ray Tanner.

OPEN SESSION

I. Call to Order

Chair Whittle called the meeting to order and welcomed everyone. He asked those in the room to introduce themselves after which Secretary Heath confirmed those participating by telephone. Mr. Stensland introduced members of the press participating by telephone as

follows: Mr. Andy Shain from the *Post and Courier*, Mr. Nick Sullivan with *The Daily Gamecock*, Ms. Susan Ardis with WLTX, Mr. Ben Briner and Mr. Lucas Daprile with *The State Newspaper*, and Mr. Josh Kendall with *The Athletic*.

Chair Whittle said 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 provided to the Committee; and a quorum was present to conduct business.

II. University of South Carolina Finance Update

Chair Whittle called on Mr. Walton for a finance update. Mr. Walton deferred to President Caslen for a preliminary briefing to be followed by Mr. Sobieralski. President Caslen provided background and rationale around leadership decisions, as well as plans going forward to work with the State Legislature as federal relief funds are deployed within the state. He noted as part of the efforts to address budget impacts resulting from the COVID-19 pandemic, senior leaders and senior coaches have volunteered to take a 10% pay cut. The decision to return to in-person instruction in mid-August was based on the recommendation of the Future Planning Group. That decision was informed by science with a focus on community health and supported by students, state and local authorities. Though most of America is seeing a 15% to 20% drop in enrollment, the University is seeing about a 10% drop across the board. Financial assumption figures are based on that 10% decrease. Return to campus will not be required and online and other strategies will be used to allow individuals to return when they feel comfortable. President Caslen recognized the risk associated with COVID-19 remains; however, he stated mitigation strategies will be implemented to control spread and minimize the impact of the virus. One of those strategies is COVID-19 testing of every student, faculty, and staff member upon return to campus with sustained testing throughout the semester. Student housing will be designated for those who may require

isolation and quarantine, and support services will be in place to provide meals and other needs. Single-occupancy rooms in on-campus residence halls will be increased, and dining practices will be modified. Clear public health protocols, including social distancing within classrooms, lecture halls, meeting rooms, and sports venues will be followed.

Mr. Sobieralski provided an overview of financial impacts on the budget. Refunds and reimbursements related to housing, meal plans, and parking have been issued. Those funds total \$15.90 million for USC Columbia and \$21 million across the system. Estimated impacts related to COVID-19 continue to track in the \$20 - \$40 million range and will be covered by unit reserves. FY21 impacts will be significant resulting in part from costs related to PPE, additional cleanings, and other mitigation efforts, as well as higher than expected enrollment “melt” and athletics losses. Athletics and auxiliaries are expected to cover their own impacts. In addition to \$35 million in CARES Act funding across the system, FEMA is expected to reimburse 30% of certain PPE purchases and there is the potential for additional support from the HEROES Act. There are no significant additional general fund dollars expected. There is the potential to receive additional CARES Act funding allocated by the Governor for deployment across K-12 and higher education. No decisions have been made; however, the University has a voice in those conversations. In addition to previously announced cost control measures totaling \$328 million, cost savings estimated at \$26.7 million have been identified. Mr. Sobieralski stated other strategies under consideration required legislative approval, and that has recently been received. Faculty and staff cross functional groups are looking for other cost savings opportunities at the “grassroots level” and a faculty committee is assessing program changes.

Athletics Director Ray Tanner reviewed decisions related to fall athletics based on scenarios varying from normal, to play with no fans, to play with minimal fans. He stated

models would be developed to accommodate conditions warranted based on health and safety. Guidance and direction from the SEC on football, soccer, volleyball, and cross-country competition is expected in mid-July. Decisions related to athletes' return to campus would be made sooner. As of May 20, 2020, the normal fall athletic schedule has not been altered.

Mr. Sobieralski previewed the dashboard that will be used as a review and measurement tool by the Board and Administration. He noted it will be a useful format for deans and unit heads to work collaboratively and in reporting information at the Board level. Dashboard elements include census information, budget information, efficiency calculations, and other details. Chair Whittle congratulated Mr. Sobieralski, Mr. Walton, and their team for developing the dashboard, which will serve the University well.

Mr. Sobieralski reviewed assumptions for developing the FY21 budget. With respect to revenue, there are no significant tuition, fee or other pricing changes expected and no significant new state funding. Grant funds are expected to be delayed but not reduced. On the expenditure side, some state-mandated costs are expected such as insurance reserve fund increases. Significant new expenses are related to COVID-19. He noted system institutions are engaged and they are utilizing revenue and expenditure assumptions specific to their institutions.

Mr. Walton stated the FY21 budget is scheduled to be presented to the Board on June 19, and that he and his team are available to provide briefings as needed. Trustees congratulated the President, senior staff, and coaches for their leadership in taking a 10% pay cut. They also acknowledged the Faculty Senate's support of the decision to defer salary increases and merit increases totaling \$7 million previously approved by the President for faculty.

Chair Whittle said this report is received as information.

III. Adjournment

There being no further business to discuss, Chair Whittle adjourned the meeting at 10:40 a.m.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "J. Cantey Heath, Jr.", written in a cursive style.

J. Cantey Heath, Jr.
Secretary