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University of South Carolina
BOARD OF TRUSTEES

Executive and Governance Committee

June 19, 2020

The Executive and Governance Committee of the University of South Carolina Board of Trustees met at 10:45 a.m. on Friday, June 19, 2020, by telephone conference call due to statewide quarantine restrictions related to coronavirus disease (COVID-19). The conference call was hosted from Room 206-B of the Osborne Administration Building.

Members joining by telephone 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 Board members joining by telephone were Mr. C. Dan Adams; Mr. Chuck Allen; Mr. J. Egerton Burroughs; Mr. Robert F. Dozier Jr.; Mr. Richard A. Jones Jr.; Ms. Leah B. Moody; Ms. Rose Buyck Newton; Dr. C. Dorn Smith III; Mr. Thad H. Westbrook; Mr. Mack I. Whittle Jr.; and Mr. Charles H. Williams.

Also joining by telephone were: Board of Trustees Strategic Advisor David Seaton, Board of Trustees Governance Consultant Cameron Howell; USC Columbia Faculty Senate Chair Mark Cooper, and USC Columbia Student Government President Issy Rushton.

Present in the room were: President Robert L. Caslen Jr.; Secretary J. Cantey Heath Jr.; Chief Operating Officer Edward L. Walton; Presidential Faculty Fellow and Executive Assistant to the President Susan Bon; Interim Chief Communications Officer Jeff Stensland; Associate Vice President for Administration and Finance and Medical Business Affairs Jeffrey L. Perkins III; Associate Vice President for Finance Kelly Epting; University Budget Director Joe Sobieralski; Executive Director for Strategic Initiatives

Jack Claypoole; Director of Parking and Transportation Esther Legette; and Board staff members Delphine Bigony and Terri Saxon.

Others joining by telephone were: Vice President for Human Resources Caroline Agardy; President's Chief of Staff Mark Bieger; Chief Audit Executive Pam Dunleavy; Palmetto College Chancellor Susan Elkins; Interim Chief Development Officer Will Elliott; Chief Information Officer Doug Foster; Interim Provost Tayloe Harding; Chief Executive Officer My Carolina Alumni Association Wes Hickman; Assistant to the President for System Affairs Eddie King; Director for the Office of Economic Engagement William D. "Bill" Kirkland; Director of Government and Community Relations Derrick Meggie; Vice President for Research Prakash Nagarkatti; General Counsel Walter "Terry" H. Parham; Director of Public Policy and Advocacy Craig Parks; Vice President for Student Affairs Dennis A. Pruitt; Office of Equal Opportunities Director Clifford Scott; Special Assistant to the President and Executive Director of Military Programs and Strategies James Smith; Athletics Director Ray Tanner; Vice President for Communications Larry Thomas; Vice President for Diversity, Equity and Inclusion Julian R. Williams; USC Aiken Chancellor Sandra Jordan; USC Beaufort Chancellor Al Panu; USC Upstate Chancellor J. Derham Cole Jr.; Darla Moore School of Business (DMSB) Dean Peter J. Brews; Senior Associate Vice President for Student Affairs and Academic Support Stacey Bradley; USC's Federal Legislative Liaison Steve Beckham; University Controller Mandy Kibler; DMSB Marketing Department Chair and James F. Kane Professor of Business Satish Jayachandran; Provost Elect William "Bill" F. Tate IV; University Architect Derek Gruner; USC Upstate Vice Chancellor for Finance and Administration Cheryl Turner-Watts; and DMSB Senior Director of Administrative Operations and Student Financial Services Sharon Guess.

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. He asked those in the room to introduce themselves. Secretary Heath confirmed a quorum by calling roll to identify Trustees and others joining by telephone.

Mr. Stensland introduced members of the news media who had joined the meeting by telephone: Erin Slowey with *The Daily Gamecock*; Emily Correll with WLTX-TV; Josh Kendall from The Athletic; John Whittle and John Del Bianco with The Big Spur; Ben Breiner and Lucas Daprile with *The State*; David Cloninger with *The Post and Courier*; and Collyn Taylor with Gamecock Central.

II. Contracts

Chairman von Lehe called on Mr. Parham to present contracts.

A. EBSCO Information Services

Mr. Parham said University Libraries sought approval to renew an agreement with EBSCO Information Services to acquire electronic journals and databases, which is done on an annual basis. The one-year term of the new agreement will begin July 1, 2020.

Under the agreement, EBSCO serves as a single point of contact between the library and various publishers from whom the library wants to acquire access to 13,950 journal titles and 50 EBSCO host databases.

The library anticipates spending approximately \$5,722,660 on these journals and databases during the one-year contract term. Additionally, EBSCO charges a 2.4% service charge for its services (approximately \$137,343), which is reduced to 1.8% (approximately \$103,008) if the Library pays \$3,000,000 to publishers by July 31, which it does each year. This will save the library approximately \$34,335 for a total cost of \$5,688,325.

Chairman von Lehe called for a motion and second to recommend approval by the full Board of the agreement with EBSCO Information Services. Mr. Mobley so moved. Mr. Loadholt seconded the motion. The vote was taken, and the motion was approved.

B. Central Midlands Regional Transportation Authority

Mr. Parham said approval is sought for an agreement with the Central Midlands Regional Transportation Authority, known as The COMET, which Chief Operating Officer Jeff Perkins discussed at two previous Board meetings. Before summarizing the agreement, Mr. Parham recognized Mr. Perkins' work as the architect of the agreement, noting Mr. Perkins was responsible for it coming to fruition.

Under the agreement, which pertains to the Columbia campus, the University will buy contractual transit services – that is, The COMET will operate the University's shuttle bus system. This is a turn-key, full-service agreement a copy of which was provided Trustees with agenda materials on the Board Portal.

The initial term of the agreement is three consecutive one-year periods beginning September 1, 2020 and ending the following August 31 of each year for three years. The agreement may be extended for two additional one-year terms on the mutual consent of the parties. And the agreement has a termination provision under which either party may terminate at any time, for any reason upon 180 days written notice.

The COMET is responsible for providing all buses required to operate the campus transit system and for all insurance, maintenance and cleaning, and operating costs associated with these buses, including hiring drivers. Mr. Parham said all buses used in the system will be cobranded with gamecock colors and used exclusively on the Carolina Shuttle routes.

On September 1, 2020, The COMET will be responsible for providing 12 refurbished buses available for use. The refurbishment will include University branding, fareboxes, cameras, wi-fi, USB chargers and destination signs. The University will be responsible for the refurbishment costs for the 12 buses not to exceed a total cost of \$505,000.

By July 31, 2021, The COMET will be responsible for providing 12 new buses to replace the refurbished buses. The new buses will have security cameras, bicycle racks, fareboxes, destination signs, wi-fi, automatic passenger counters, tracking apps, charging ports and University branding. The University

will be responsible for paying a 15% local match on the purchase price for the new buses, which is expected to total \$828,000.

The agreement provides that if the University terminates the agreement, The COMET will repay the University for the 15% match less depreciation if The COMET sells the buses to another transit agency. And, when the new buses are acquired by The COMET, the agreement provides that The COMET will donate ownership and title of up to eight of the refurbished buses to the University.

Exhibit A to the agreement outlines the initial routes for the shuttle service, but these routes will be reviewed periodically for redesign to maximize efficiency and service and accommodate the needs of the University's students and employees.

The agreement requires The COMET to operate 351 days per year and provide not more than 26,000 hours of service per year, all based on a schedule approved by the University. And the University can unilaterally reduce the hours of service at its sole discretion.

The COMET will be responsible for maintaining campus bus stops and shelters, including emptying trash, power washing, maintaining solar lighting, and real-time information signage. The COMET will install new bus shelters on request if the University provides a 20% match on the costs.

Anyone with a valid Carolina Card issued by the University will be allowed to ride the shuttle free of charge. Passengers without Carolina Cards may be required to pay the published fares charged by The COMET, and The COMET will retain all fares charged.

The COMET will hire a private security firm approved by the University Police Department to provide security for the shuttles during hours of operation.

In year one, the agreement provides the University will pay The COMET \$1.5 million. This equates to \$72.11 per service hour for 20,800 service hours. If the number of service hours provided in year one is less than 20,800, the University's obligation to pay is reduced by \$72.11 for each unperformed service hour

below 20,800. In year two, the University will pay \$74.23 per service hour and in year three the University will pay \$76.55 per service hour.

As a way to ensure the University controls costs, the agreement provides the University's payment obligation shall not exceed \$2 million in any contract year, and the number of service hours in any year shall not exceed 26,000 unless the University agrees.

The agreement requires The COMET to provide the University monthly reports on ridership, hours of operation, and accident and incident data, etc. Buses will be stored at The COMET's main storage location. There will be no advertising on these buses. And, Mr. Parham noted, there is a "pandemic clause" that suspends the agreement and the University's obligation to pay.

Mr. Perkins said working with The COMET on this agreement has been "great," noting there would be a capital savings greater than \$4 million related to the refurbished and new buses.

Chairman von Lehe called for a motion and second to recommend approval by the full Board of the agreement with the Central Midlands Regional Transportation Authority, operating under the name The COMET, under which The COMET will provide transit services to the USC Columbia campus. Mr. Lister so moved. Dr. Floyd seconded the motion. The vote was taken, and the motion was approved.

C. COTIVITI, Inc.

Mr. Parham said the College of Social Work's Institute for Families in Society sought approval to extend the term of two software license agreements with COTIVITI, Inc. f/k/a Verscend Technologies for a five-year period through June 30, 2025. Both license agreements were previously approved by the Board and are about to expire. The license agreements are for Healthcare Effectiveness Data and Information Set (HEDIS) Quality Intelligence software and DxCG Intelligence software.

These software packages are used by the Institute for Families in Society to evaluate Medicaid and the efficiency of Medicaid delivery systems in South Carolina for the South Carolina Department of Health

and Human Services (DHHS), with which it has a contract.

Over the five-year term, the cost of the HEDIS Quality Intelligence license is approximately \$1,593,000 and the cost of the DxCG Intelligence license is approximately \$750,000 for a total cost of \$2,234,000. The total cost of the two software licenses will be paid by the Institute for Families in Society from a grant it receives from DHHS, so no University funds will be expended.

Chairman von Lehe called for a motion and second to recommend approval by the full Board of the agreement with COTIVITI, Inc., under which the College of Social Work's Institute for Families in Society will extend the term of its licenses to use HEDIS Quality Intelligence software and DxCG Intelligence software. Mr. Warr so moved. Mr. Mobley seconded the motion. The vote was taken, and the motion was approved.

D. Aramark Food Service Agreement, Amendment – USC Columbia

Mr. Parham said approval was sought for an amendment to the University's Dining Services Agreement for the Columbia campus with Aramark Educational Services, LLC. The 15-year agreement was approved by the Board on April 21, 2017.

The contract amendment results from the disruption of food service due to COVID-19. The amendment covers the period of March 22 – July 22, 2020.

The master agreement with Aramark is a commissions-driven agreement under which Aramark will pay USC a percentage of net revenues, Mr. Parham said.

The amendment confirms Aramark is obligated to pay those commissions through March 21. However, because food service was shut down on that date, the amendment changes the contract to a cost-based structure under which Aramark is relieved of its obligation to pay commissions and guarantees, and USC will pay Aramark its special costs, and fixed and variable costs, during the pandemic period which ends July 22, 2020.

These costs are outlined in the document provided in agenda materials and include such things as the cost of personnel to maintain a presence on campus and respond to University requests for services, goods and services procured in anticipation of fall reopening, equipment rental and repair, non-cancelable contractual commitments Aramark entered into in order to fulfill its obligations under the master agreement, and other matters.

Aramark is required to provide the University with an invoice for payment of these costs at the conclusion of the pandemic period.

At the conclusion of the pandemic period, the master agreement and all its terms and conditions are reinstated, Mr. Parham said. If COVID-19 changes the campus' plan to fully reopen in August, the University will negotiate a second amendment with Aramark to cover any necessary period.

Unlike other services under the S.C. Procurement Code, food service contracts are handled by the State Procurement Office rather than University Purchasing. Therefore, this amendment will need to be approved by the State Chief Procurement Officer before it is executed. Mr. Parham said the University has been in contact with the State Procurement Office and does not expect a problem.

Mr. Perkins said a "fair and reasonable" cost was negotiated to maintain the food services operation for students. Aramark worked with the University to reach the estimated cost of \$1.5 million, which is half of the cost originally proposed.

Chairman von Lehe called for a motion and second to recommend approval by the full Board of the amendment to the USC Columbia Food Services Management Agreement with Aramark Educational Services, LLC to provide that due to the cessation of food services on the Columbia campus resulting from COVID-19, for the period of March 22 – July 22, 2020, Aramark will be relieved of its obligation to pay the University commissions and guaranteed commissions, and the University will pay Aramark special costs and fixed and variable costs as specified in the amendment. Mr. Loadholt so moved. Mr. Lister seconded the

motion. The vote was taken, and the motion was approved.

E. National Research Center for College and University Admissions, LLC – USC Beaufort

Mr. Parham said USC Beaufort Chancellor Al Panu sought approval of an agreement with the National Research Center for College and University Admissions (NRCCUA). The purpose of the agreement is to assist USC Beaufort in recruiting students for admission.

The NRCCUA owns the ACT (American College Testing) – one of the standardized tests high school students take that is used by many colleges and universities as part of the admissions process.

When students sign up to take the ACT, they provide ACT with academic and demographic data about themselves. Under the proposed agreement, NRCCUA will take its total data set, conduct data analytics and research tailored specifically for USC Beaufort, and generate a list of 70,000 students who fit the student profile USC Beaufort seeks to attract. NRCCUA then will provide that information to USC Beaufort so it can conduct more effective target marketing to those students. NRCCUA will, on request, generate marketing materials for USC Beaufort and make direct contact with these students.

The agreement is an amendment to an existing agreement USC Beaufort entered into with NRCCUA in January under which USC Beaufort received information on 25,000 prospective students. Because of COVID-19 and concerns about future enrollment, USC Beaufort wants to increase the number of prospective students about whom it receives information to ensure a better yield of students.

The total value of the three-year agreement is \$303,375.

Chairman von Lehe called for a motion and second to approve the USC Beaufort's agreement with the National Research Center for College and University Admissions, LLC. Mr. Loadholt so moved. Mr. Lister seconded the motion. The vote was taken, and the motion was approved.

F. USC School of Medicine Greenville and Pathology Consultants, Inc.

Mr. Parham said Dean Marjorie Jenkins and the School of Medicine Greenville (SOM Greenville) sought approval of an agreement with Pathology Consultants, Inc. under which the company will review, update and teach the core pathology curriculum that is part of the required biomedical science curriculum for first- and second-year medical students.

Describing the agreement as an annual housekeeping matter, Mr. Parham said the term of the agreement is one year beginning June 25, 2020 and ending June 30, 2021. Pathology Consultants will be paid approximately \$272,964 for its services, which is a substantial reduction from the amount paid in 2019 because the SOM Greenville has hired a full-time pathology faculty member and therefore does not need the number of FTE's from Pathology Consultants that it has in the past. This cost is part of the SOM Greenville's annual budget approved by the Board.

Chairman von Lehe called for a motion and second to approve the agreement between the USC School of Medicine Greenville and Pathology Consultants, Inc. Dr. Floyd so moved. Mr. Loadholt seconded the motion. The vote was taken, and the motion was approved.

G. USC School of Medicine Columbia – Prisma Health Affiliation Agreement: Assignment and Amendment

Mr. Parham said in November 2015 the Board approved a Master Affiliation Agreement between USC School of Medicine Columbia (SOM Columbia) and Palmetto Health for Medical Student Education and Graduate Medical Education.

Under the agreement, Palmetto Health was to accept a mutually agreed upon number of third- and fourth-year medical students for clinical experience in mutually agreed upon specialties. Palmetto Health further agreed to provide adequate space and resources for these educational experiences, and to be responsible for providing graduate medical education programs in consultation with the SOM Columbia.

The SOM Columbia agreed to be responsible for academic aspects of these medical student's

education programs at Palmetto Health, including the appointment and assignment of faculty.

The affiliation agreement was and is required by LCME as part of the accreditation process for the SOM Columbia. That Master Affiliation Agreement expires June 30, 2020.

This amendment to the Master Affiliation Agreement will accomplish two things: (1) it extends the affiliation agreement for two more years, through June 30, 2022; and (2) it recognizes the former Palmetto Health is now Prisma Health and therefore assigns all of Palmetto Health's rights and obligations under the agreement to Prisma Health.

Chairman von Lehe called for a motion and second to approve the updated affiliation agreement between the USC School of Medicine Columbia and Prisma Health. Dr. Floyd so moved. Mr. Warr seconded the motion. The vote was taken, and the motion was approved.

H. Sodexo Food Service Agreement, Amendment – USC Upstate

Mr. Parham said Interim Chancellor Derham Cole sought approval of an amendment to USC Upstate's seven-year food service agreement with Sodexo Operations, LLC, which was approved by the Board on April 21, 2017. The contract amendment results from the cessation of food service at USC Upstate due to COVID-19 in March 2020.

The board-approved food service agreement for USC Upstate is a commission-based agreement under which USC Upstate receives a monthly commission from Sodexo based on net sales.

This amendment changes the contract from a commission-based approach to a cost-based structure for the COVID-19 period of March 23 through July 31. Under the amendment, USC Upstate will pay Sodexo its operating costs during the COVID-19 period, which includes payroll for four Sodexo employees needed to maintain continuity and prepare for reopening food service fully in the fall, goods and services procured in anticipation of fall reopening, capital investments and equipment amortization.

The terms of the amendment expire August 1 and the original commission-based contract terms are

re-instated. If COVID-19 changes the campus' plan to fully re-open in August, Mr. Parham said USC Upstate will negotiate a second amendment with Sodexo for the Board's consideration.

Chairman von Lehe called for a motion and second to approve the amendment to USC Upstate's Sodexo Food Service Agreement. Mr. Loadholt so moved. Mr. Lister seconded the motion. The vote was taken, and the motion was approved.

I. Aramark Food Service Agreement, Amendment – USC Aiken

Mr. Parham said Chancellor Sandra Jordan sought approval of an amendment to USC Aiken's seven-year food service agreement with Aramark Educational Services, LLC, which was approved by the Board on April 21, 2017. This amendment contains the same basic terms as described with respect to the USC Upstate-Sodexo agreement, he said.

Effective March 26, USC Aiken shut down food service operations on campus due to COVID-19. From that date through July 22, 2020, USC Aiken's contract with Aramark will be amended to shift from a commission-based agreement to a strictly cost-based structure for the COVID-19 period.

The terms of the original contract are re-instated, and the contract reverts to a commission-based agreement as of July 23. Again, if COVID-19 causes a change in plans to reopen the campus, USC Aiken will negotiate a second amendment to its food service agreement with Aramark.

Chairman von Lehe called for a motion and second to approve the amendment to USC Aiken's Aramark Food Service Agreement. Mr. Mobley so moved. Mr. Warr seconded the motion. The vote was taken, and the motion was approved.

III. University Risk Assessment and Audit Plan FY 2020-2021

Chairman von Lehe said Audit & Advisory Services provided the Executive and Governance Committee a copy of its annual audit plan for review and approval. The plan was approved by the Audit and Compliance Committee on June 5 – a meeting at which members of the Executive and Governance

Committee were in attendance and heard Ms. Dunleavy's presentation of the plan.

Chairman von Lehe called for a motion and second to approve the University Risk Assessment and Audit Plan FY 2020-2021 as required by Board policy. Mr. Warr so moved. Dr. Floyd seconded the motion. The vote was taken, and the motion was approved.

IV. Intercollegiate Athletics Committee – FY 2020-2021 Athletics Department Budget Summary

Chairman von Lehe called on Trustee Whittle who asked Athletics Director Tanner to present the budget summary.

Mr. Tanner noted the uncertainty resulting from COVID-19 as relates to football and other sports. Thus, a "standard budget" was developed and the department was well-prepared to implement budget changes as more information becomes available in the coming weeks and months.

He began his presentation with a summary, indicating proposed revenues of \$127,136,400 and proposed expenditures of \$114,196,700, with proposed transfers back to the University of \$11,473,700, allowing \$1,466,000 to be placed in Athletics' Reserves at the end the fiscal year.

Highlighting expected revenue streams, Mr. Tanner estimated a decrease in ticket sales of \$1.38 million based on schedule strength; a decrease of \$2 million in guarantees as a result of there being no neutral site football game in FY 2021; an increase of \$1.48 million from premium seating due to the additions at Williams-Brice Stadium; and an increase of \$3 million from the Southeastern Conference (SEC) distribution resulting from SEC Network and football TV contracts.

Highlighting expected expenses, Mr. Tanner estimated an increase of \$1.9 million in coaches and staff salaries due to contracted employees and changes in the football program, noting the recent voluntary salary cuts of 10% would likely eliminate this deficit; a decrease of \$1 million in grants-in-aids resulting from enhanced meals not being allocated to financial aid; a decrease of \$1.1 million for equipment and supplies resulting from capital purchases made in FY2019-20 for the SEC Network; and an increase of \$2.4 million

in general services due to accounting classification/allocation change for the Dodie Food Operations.

Mr. Tanner said the Athletics Department is totally self-supporting, funding all direct and indirect expenses. In addition, the department provides funds to the University's General Fund. In FY 2021, the Athletics Department will provide an estimated \$4,976,500 for University support and scholarships. He reminded Trustees that all Athletics Department revenues, including Gamecock Club donations, are non-appropriated State funds and are deposited with the University.

PowerPoint slides were used to detail revenues and expenditures by category with comparison to the current fiscal year, as well as graphic illustrations. He also provided a graphic illustration of ticket sales by sport for the Trustees' information. Additional detail was provided for projected revenue from football ticket sales for home games in FY 2021.

Mr. Tanner concluded his presentation with a summary of the department's debt. Outstanding debt as of June 30, 2020 is projected at \$163,945,000, with annual debt service payments for FY 2021-22 of \$12,565,806. To be added to the summary will be the upcoming financing for approved Williams-Brice Stadium projects, he said.

He again stressed the department is ready to pivot going forward based on what happens with COVID-19. "We would like to be optimistic in that what we are dealing with regarding this pandemic will put us in a better place, a place in which to play and entertain football fans in a safe way."

Intercollegiate Athletics Committee Chairman Whittle said, "The only thing certain about this budget is that it will change," noting the Athletics Department has developed modeling capabilities so it can analyze various scenarios of football and other revenue and related expenses and switch from one scenario to another depending on how matters evolve given the pandemic.

In response to a question from Trustee Allen, Mr. Tanner said he would expect the estimated \$47 million in SEC distribution to remain consistent if a full slate of football games could be televised, regardless

of the number of fans who could be allowed in the stadium. Mr. Tanner also confirmed for Trustee Allen that once the Williams-Brice Stadium improvements were added to the debt service, it would increase to about \$185 million.

Chairman von Lehe said this summary was provided as information. The Athletics Department budget is included as part of the University FY 2020-2021 Annual Operating Budget.

V. University's FY 2020-2021 Annual Operating Budget

Chairman von Lehe called on Mr. Walton who deferred to President Caslen to initiate the budget conversation.

President Caslen thanked Mr. Walton and his team for their work on the budget. He also thanked the new Ad Hoc Advisory Committee on Finance Committee led by Trustee Whittle for the work it had done, and the mentoring provided to him personally. President Caslen said he was confident short- and long-term efforts will provide South Carolina with a flagship university that is operating in the 21st Century.

“We’re presenting today a comprehensive, visionary and enduring budget that will sustain our University and enable its acceleration in the years to come,” he said. Before asking Mr. Walton’s team to detail the budget, President Caslen highlighted some of the cost-saving measures implemented to address pandemic-related expenses and the expected loss of revenue.

A Future Planning Group has been created, he said, which contains a finance group it known as Future Planning Group #4. Cross-functional expertise has been utilized, including academic and non-academic administrators, faculty, and staff participation to best understand, quantify and advise financial and operational efficiencies for him and his leadership team. Mr. Walton coached the group, which is overseen by him as well as the Provost, Vice President for Student Affairs, and the Chair of the Faculty Senate. The project leadership for the group is provided by the University’s Controller.

The initial charge of Future Planning Group #4 was to discover and quantify short-term revenue and

cost-impacts of the pandemic. President Caslen said the group then was assigned the job of coordinating the efforts of multiple sub-groups, including a Futures Opportunity Group, tasked with looking at operational excellence to determine longer-range thoughts and ideas on how the University can operate in an efficient and streamlined manner. The Futures Opportunity Group focused on establishing University-wide initiatives that streamline processes, reduce duplication, eliminate non-value activities, and simplify work.

Other sub-groups include a Cost Containment Group, which is looking at all levels of the institution to gather cost-savings and efficiencies; a Joint Staff and Faculty Cost Savings Grassroots Task Force, which has completed its work to be incorporated into the efforts of the Future Opportunities Group; a Senior Faculty Academic Programs Organization and Efficiencies Group, a committee of nine led by the Chair of the Faculty Senate which is taking a long-term view of academic organizations, efficiencies and opportunities. This last sub-group, coordinated and advised by consulting advisors, an education advisory board, the Chief Financial Officer and the Provost, will be the one to address the “right-sizing of the University” in conjunction with an outside contractor, President Caslen said.

Based on the work of Future Planning Group #4 and its sub-committees, President Caslen said cost-saving measures have been identified and implemented. Savings include a freeze on capital projects for \$328 million; voluntary pay reductions and furloughs for the highest 25% of wage earners for \$4.8 million; a hiring freeze with few exemptions for \$6.25 million; reduction in temporary employees for \$1.5 million; a freeze on travel for \$7 million; overtime reduction for \$0.9 million; and minimization of pay increases, bonuses, and other salary actions for \$9.9 million.

Looking to the future and important long-term efficiencies, President Caslen said possible areas for further exploration for cost-savings are shared service and operational efficiencies, information technology, budget, finance, grants administration, human resources, strategic sourcing, procurements and procurement cards, University leases, fleet cars, food spending, cell phones, software, consulting, contract renegotiations,

establishing a utility P-card for e-payments, utilities and rebates.

“We are working for the long-term health of the University,” President Caslen said, noting the faculty voted to forgo previously funded merit pay increases to contribute \$7 million to support cost-saving efforts. “Our Fiscal Year 2021 budget will include \$59 million in recurring budget reductions. We will fund \$67.5 million in one-time costs brought on by the pandemic and will invest \$61.6 million in carry forward reserves to help bridge the operations throughout next year. The focus as always will continue to be academic mission-centric activities. Budget reductions and mitigating costs will be as minimally impacted on the academic and student life experience as possible, with the bulk of all reductions and mitigation costs being placed in the administrative and general offices. Most important, and to bring all of this together, our strategic planning effort is nearly completed and we’re considering a five-year investment across eight of the priority areas.”

Mr. Walton noted the inclusive nature of budget planning process helped move it forward, from the Board’s Committee on Finance to a very engaged faculty. He then introduced Associate Vice President for Finance Kelly Epting to present details of the FY 2021 budget.

No increases are proposed for the entire University System, Ms. Epting said as she shared the budget highlights. She noted a Continuing Resolution has the General Assembly convening in September 2020 with no change to recurring state appropriations anticipated for FY 2021.

Ms. Epting said impacts of COVID-19 on the annual budget include the following revenue reductions: (1) higher than expected enrollment “melt” likely for a smaller freshman class; (2) enrollment declines expected in the non-resident population; (3) reduced housing capacity/revenue due to social-distancing measures; and (4) reduced parking and meal plan revenue due to lower enrollment.

Cost increases to the budget due to COVID-19 are related to personal protection equipment (PPE), additional cleanings, virus testing, classroom and technology enhancements and other mitigation efforts. The University continues to develop strategies for future efficiencies, she said.

Federal support related to mitigating the impact of COVID-19 includes an estimated \$35 million from the CARES Act for the University System – half of which goes to students and half to the institutions to help offset the COVID-19 impact this fall. Ms. Epting said FEMA also is expected to reimburse 30% of certain PPE purchases.

As for state support, no significant additional general fund dollars are expected. Some CARES Act funding is allocated to the State of South Carolina for deployment across K-12 and higher education for one-time losses; however, Ms. Epting said, no decisions have been made to date about distributions from this funding.

Ms. Epting said there would be slight increases for housing and meal plans. Meal plans are governed by contract and the consumer price index, with increases ranging from 1% to 3.1% for campuses in Aiken, Beaufort, Columbia, and Spartanburg. A 2.5% increase in housing costs on the Columbia campus is attributed to a reduction in available rooms due to quarantine purposes and additional cleaning required by the pandemic. USC Upstate will have a 2.6% increase in housing costs.

The USC System budget for FY 2021 projects total revenues of \$1,637,245,098 – a reduction of 4.11% over the prior year. Ms. Epting provided a breakdown of how revenue would be distributed, with most of the funding going to instruction, scholarships, fellowships, and the student experience.

Ms. Epting then detailed budget information related to the Columbia campus, noting the new budget model will be utilized. She emphasized recurring resources would be matched with recurring uses and non-recurring resources to non-recurring uses, while recurring revenue losses would be matched with recurring cost reductions and non-recurring revenue losses/expenses would be matched with non-recurring resources such as carryforward.

Other planning assumptions include a greater percentage of reductions proposed for administrative units compared to academic units; auxiliaries will cover its own impacts; and the Athletics Department

continues to monitor potential impacts on schedules and fan participation.

Ms. Epting repeated President Caslen's cost-control measures:

- Campus Village Project on hold (\$240 million)
- Other capital/maintenance projects deferred (\$88 million)
- Actively renegotiating food service contract
- Reduction of administrative budgets is a priority
- 10% pay reductions for Executive Cabinet and key coaches
- Furloughs for wages earners in top 25% of personnel
- \$7 million pay contribution from faculty
- Reduce consulting contracts
- Hiring freeze – vacant positions including faculty (could have exceptions)
- Reduction in temporary employees; stop overtime
- Travel freeze
- No salary increases (could have exceptions); no bonuses; reduce salary supplements
- Utilize \$62 million in reserves for nonrecurring revenue reductions and cost increases.

Ms. Epting presented several spreadsheets detailing the financial impact of COVID-19 on the Columbia campus. Total impacts prior to cost savings and mitigation strategies are estimated at \$127 million, she said. Of this, \$59 million is considered recurring and \$68 million is one-time or non-recurring. Measures being taken are designed to lessen the impact on the academic units which have been assigned a 5% annual budget reduction, while administrative units will take a 10% reduction and auxiliaries like housing, student health center, parking and food service will absorb a projected \$10 million reduction.

Auxiliaries are expected to absorb a loss of nearly \$18 million in non-recurring funds, while a loss of nearly \$50 million in non-recurring funds will be covered by the support units through the use of carryforward funds, CARES Act and FEMA funding. A projected balance of \$7,780,545 will offer a contingency for further pandemic mitigation, she said.

These cost-control measures have allowed inclusion in the FY 2021 budget of \$41,836,248 in recurring and non-recurring funding to support the new strategic plan, Ms. Epting said.

Ms. Epting also detailed information about the University's other campuses. She noted a more stable

enrollment structure is projected for the Schools of Medicine in Columbia and Greenville, which translates into fewer reductions. In addressing the three comprehensive and four regional institutions, Ms. Epting said, each campus was involved in the Future Planning Group process. One key issue regarding the loss of revenue due to enrollment for these institutions is the higher rate of in-state residency, which helps maintain enrollment levels.

The final budget element addressed was the University's bond indebtedness and debt service. All current debt service obligations are fully serviced by designated revenue streams, Ms. Epting said, noting each system institution is expected to cover its own obligations. Total bond indebtedness for the University System is projected to be \$531,825,000 by June 30, 2020, which is down \$28.8 million from the prior year. She said the issuances for the Campus Village Project and Williams-Brice Stadium renovation would be postponed due to current market conditions. The University has budgeted and plans to make debt service payments totaling \$52.5 million in FY 2021.

There were no questions following Ms. Epting's presentation. Chairman von Lehe called for a motion and second to recommend approval by the full Board of the University's FY 2021 budget as presented and detailed in documents on the Board Portal. Mr. Lister so moved. Dr. Floyd seconded the motion. The vote was taken, and the motion was approved unanimously.

VI. Ad Hoc Advisory Committee on Governance

Chairman von Lehe called on Trustee Smith who said he had three action items from the Ad Hoc Advisory Committee on Governance. Approval was sought for changes to the Board Bylaws, charters for each standing committee, and the scope of work agreement for a governance consultant.

If changes to the Bylaws are approved by the Executive and Governance Committee and the full Board, he said a called meeting in July will be necessary for the required second vote to enable appointments to the new standing committees at the Board's August meeting. He further noted this was the first phase of

the Governance Committee's work, which is ongoing.

Trustee Smith called on Governance Consultant Cameron Howell for additional details.

Dr. Howell said agenda materials on the Board Portal offered detailed information about the advisory committee's work and the scope of materials which it reviewed before making its recommendations.

At the Governance Committee's May 27 meeting, he said the following committees were proposed to replace the existing committee structure: Academic Excellence and Student Experience Committee; Advancement, Engagement, and Communications Committee; Audit, Compliance, and Risk Committee; Finance and Infrastructure Committee; Governance Committee; Health and Medical Affairs Committee; and University System Committee. He noted the Ad Hoc Advisory Committee on Governance would become a standing committee and the role of the current Ad Hoc Committee on Strategic Planning would become part of the Governance Committee.

Dr. Howell noted the following changes regarding of the proposed new committee structure:

- The Academic Affairs Committee would adopt a greater focus on student success and student co-curricular life, including student athletes.
- The Buildings and Grounds Committee would adopt more attention to greater infrastructure issues.
- The Governance Committee would become a standing committee, taking on many of the duties of the Executive Committee, as well as supporting diversity and equity, and taking on strategic planning.
- Topics formerly assigned to the Intercollegiate Athletics Committee would migrate to appropriate committees regarding topics such as buildings, finance, and student life.
- The University System Committee would become a standing committee to focus on issues important to the President and the Board.

A. Board of Trustees Bylaws Amendments

Mr. Parham said Trustees were provided a copy of the Bylaws in the agenda materials posted on the Board Portal, which illustrates every proposed change in red. Thus he would only highlight the most significant changes and answer any questions.

The most significant change is restructuring of the Board's standing committees as discussed briefly by Dr. Howell and detailed in the agenda materials, he said.

Another change is the way Trustees are appointed to standing committees. Mr. Parham explained it is proposed the Board Chairman will make appointments to all standing committees other than the Governance Committee, which will be composed of the Board Chairman, Board Vice Chairman, and the elected chairs of the other six standing committees. Under the proposed changes, the Board Vice Chairman will chair the Governance Committee.

In addition, Mr. Parham said, for the next two years (until August 2022), the three elected Trustees currently serving on the Executive and Governance Committee will serve on the new Governance Committee to provide continuity.

The proposed Bylaws also provide that each of the new standing committees will adopt and recommend to the full Board for approval, a charter not inconsistent with the Bylaws language describing the committee. Initial charters for the seven standing committees have been drafted by Dr. Howell and Trustees will be asked to approve those to provide a starting point for the committees, which can then review and propose modifications to these general charters.

Another change, Mr. Parham said, addresses a recommendation made by the Association of Governing Board which subsequently was discussed by the Board. This change allows the Board Chairman to appoint non-Trustees with subject-matter expertise to ad hoc committees. It also is proposed that standing committees may recommend for approval by the Board the appointment of non-Trustees with subject matter expertise to serve on a standing committee with full right to participate in committee discussions but without

the right to vote.

Final changes highlighted by Mr. Parham include the addition of language specifying the Chairman Emeritus of the Board is to preside at Board meetings when the Chairman and Vice Chairman are absent, and the correction of scrivener errors.

Chairman von Lehe called for a motion and second to recommend approval by the full Board of amendments to the Bylaws as presented and detailed on the Board Portal. Mr. Mobley so moved. Mr. Loadholt seconded the motion. The vote was taken, and the motion was approved unanimously.

B. Board of Trustees New Standing Committee Charters

Trustee Smith said he felt no additional presentation was needed regarding the committee charters.

Chairman von Lehe called for a motion and second to recommend approval by the full Board of the new standing committee charters as provided in agenda materials on the Board Portal. Mr. Warr so moved. Mr. Mobley seconded the motion. The vote was taken, and the motion was approved unanimously.

C. Consultant Scope of Work Agreement

Trustee Smith asked Mr. Parham to address. Mr. Parham said a copy of the scope of work document was provided in the Trustees' agenda materials. He recognized the input of Trustee Leah Moody which resulted in improvements to the document, noting the agreement confirms and adopts the terms of Dr. Howell's engagement with the Board, which was approved by the Board on March 31 in terms of his compensation. Additionally, the document goes to great lengths to confirm Dr. Howell's relationship to the Board is that of a "work for hire" and all the work product developed are owned by and controlled by the Board of Trustees and cannot be published or otherwise distributed without permission of the Board.

Chairman von Lehe called for a motion and second to recommend approval by the full Board of the scope of work agreement described by Mr. Parham. Mr. Lister so moved. Mr. Loadholt seconded the motion. The vote was taken, and the motion was approved.

“I want to thank President Caslen, Chairman von Lehe, Vice Chairman Mobley, Trustees Hubbard, Moody, Warr, and Whittle and Mr. David Seaton for all of the hard work they have done, along with Cameron, Cantey, Terry and Delphine. Without their efforts, none of this would have been possible. Thank you all,” Trustee Smith said.

Chairman von Lehe thanked Trustee Smith for quickly moving forward with the governance updates, noting the pace was faster than he thought would have been possible.

VII. Election of Trustee to the University of South Carolina Business Partnership Foundation’s Board of Trustees

Chairman von Lehe announced the Board needs to elect a representative to serve on the University of South Carolina Business Partnership Foundation’s Board of Trustees. As stipulated by Board policy, the Executive and Governance Committee votes on a Trustee to recommend to the full Board for approval to fill this four-year term. The Trustee elected will be eligible to be reappointed for one additional four-year term for a total term of service of eight years. All Board members are eligible for consideration but are unable to serve on two foundation boards at the same time.

Chairman von Lehe called for nominations. Mr. Mobley nominated Ms. Rose Buyck Newton. Dr. Floyd seconded the nomination. There were no other nominations. Chairman von Lehe thanked Ms. Newton for her willingness to serve. The vote was taken, and the motion was approved to recommend full Board approval for Trustee Rose Buyck Newton to serve on the University of South Carolina Business Partnership Foundation’s Board of Trustees.

VIII. Adjournment

There being no other business to come before the committee, Chairman von Lehe declared

the meeting adjourned at 12:23 p.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