

University of South Carolina
BOARD OF TRUSTEES

Finance and Infrastructure Committee
In Person, Floyd Boardroom, Pastides Alumni Center
and By Microsoft Teams
October 14, 2022

OPEN SESSION

I. Call to Order

Chair Whittle called the meeting to order at 11:39 a.m. Secretary Howell confirmed Trustees attending in person and by Microsoft Teams audio and video conference.

Trustee members of the Committee in attendance:

Mack I. Whittle Jr., Chair (online)
C. Dan Adams
J. Egerton Burroughs (online)
Alex English
C. Edward Floyd (online)
Brian C. Harlan
Miles Loadholt (online)
Charles H. Williams
Rose Buyck Newton, *Board Vice Chair*
Thad H. Westbrook, *Board Chair*

Other Trustees in attendance:

Richard A. Jones Jr.
Toney J. Lister
Hubert F. Mobley
E. Scott Moise
Leah B. Moody
Emma W. Morris (online)
C. Dorn Smith III
Molly M. Spearman
John C. von Lehe Jr. (online)

Others in attendance:

Audrey Korsgaard, USC Columbia Faculty Senate Chair
Reedy Newton, USC Columbia Student Government President
Robin D. Roberts, Expert Advisor to the Advancement, Engagement and Communications Committee

Administrators in attendance:

Michael Amiridis, President

Cameron Howell, University Secretary and Secretary of the Board of Trustees

Terry Parham, General Counsel

Ed Walton, Executive Vice President and Chief Financial Officer

Media in attendance:

Jessica Holdman, the *Post and Courier*

Alexa Jurado, the *State*

Notice:

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.

II. Introductory Comments from the Executive Vice President and Chief Financial Officer

This item was removed from the agenda.

III. Foundations & Endowment Report

President and Chief Executive Officer of USC Foundations Jason Caskey presented an update on University Foundation activities, which was posted to the Board portal. [FIC 101422 OS III]

Chair Whittle stated the report as presented and posted to the Board portal was received as information.

IV. FY22 Annual Consolidated Financial Report Review

University Controller Mandy Kibler presented a review of the FY22 annual consolidated financial report, which was posted to the Board portal. [FIC 101422 OS IV]

Chair Whittle stated the update as presented and posted to the Board portal was received as information.

V. Debt Update

Ms. Kibler presented a debt update, which was posted to the Board portal. [FIC 101422OS V]

Chair Whittle stated the update as presented and posted to the Board portal was received as information.

VI. Approval of Bond Resolution for Series 2013 Refunding

Ms. Kibler presented a bond resolution for Series 2013 refunding. [FIC 101422 OS VI]

Mr. Adams made a motion to approve the Series 2013 bond refunding resolution, and Mr. Williams seconded the motion. A vote was taken, and the motion was approved.

Chair Whittle stated this agenda item would be presented on the Committee's written consent agenda for consideration by the full Board later in the day.

VII. FY22 Year End Budget Update

Chair Whittle called attention to the FY22 year-end budget update, which was posted to the Board portal for review and called for questions. There were none. [FIC 101422 OS VII]

Chair Whittle stated the FY22 year-end budget update as posted to the Board portal was received as information.

VIII. Current Year (FY23) Budget Update

Chair Whittle called attention to the current year (FY23) budget update, which was posted to the Board portal for review and called for questions. There were none. [FIC 101422 OS VIII]

Chair Whittle stated the current year budget update as posted to the Board portal was received as information.

IX. Administrative Cost Analysis

Chair Whittle called attention to the administrative cost analysis, which was posted to the Board portal for review and called for questions. There were none.

Chair Whittle stated the administrative cost analysis as posted to the Board portal was received as information.

X. Quarterly IT Update

Chair Whittle called attention to the quarterly information technology (IT) update, which was posted to the Board portal for review and called for questions. There were none. [FIC 101422 OS X]

Chair Whittle stated the quarterly IT update as posted to the Board portal was received as information.

XI. Other Matters

Chair Whittle stated the Finance and Infrastructure Committee calendar and matrix were posted to the Board portal and called for questions. There were none. [FIC 101422 OS XI]

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

XII. Adjournment

Chair Whittle declared the meeting adjourned at 12:12 p.m.

Respectfully submitted,

Cameron Howell
Secretary

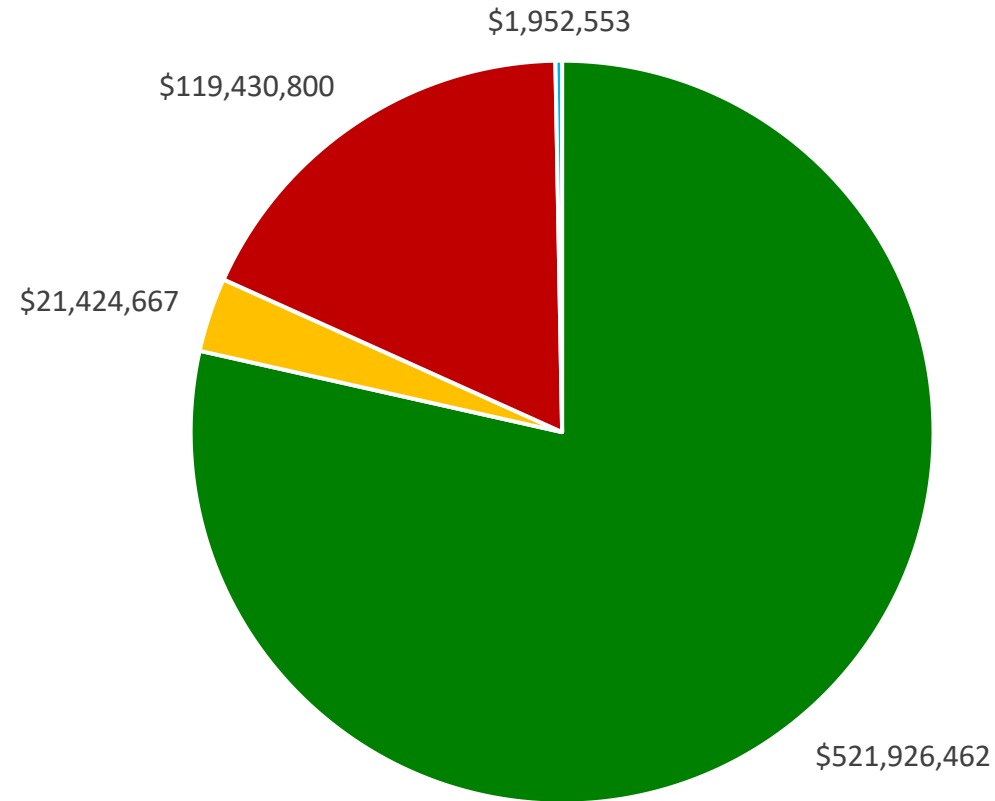
III. Educational and Development Foundations Update & Endowment Report

October 14, 2022



Investment Summary

(Educational, Development, BPF, Alumni)



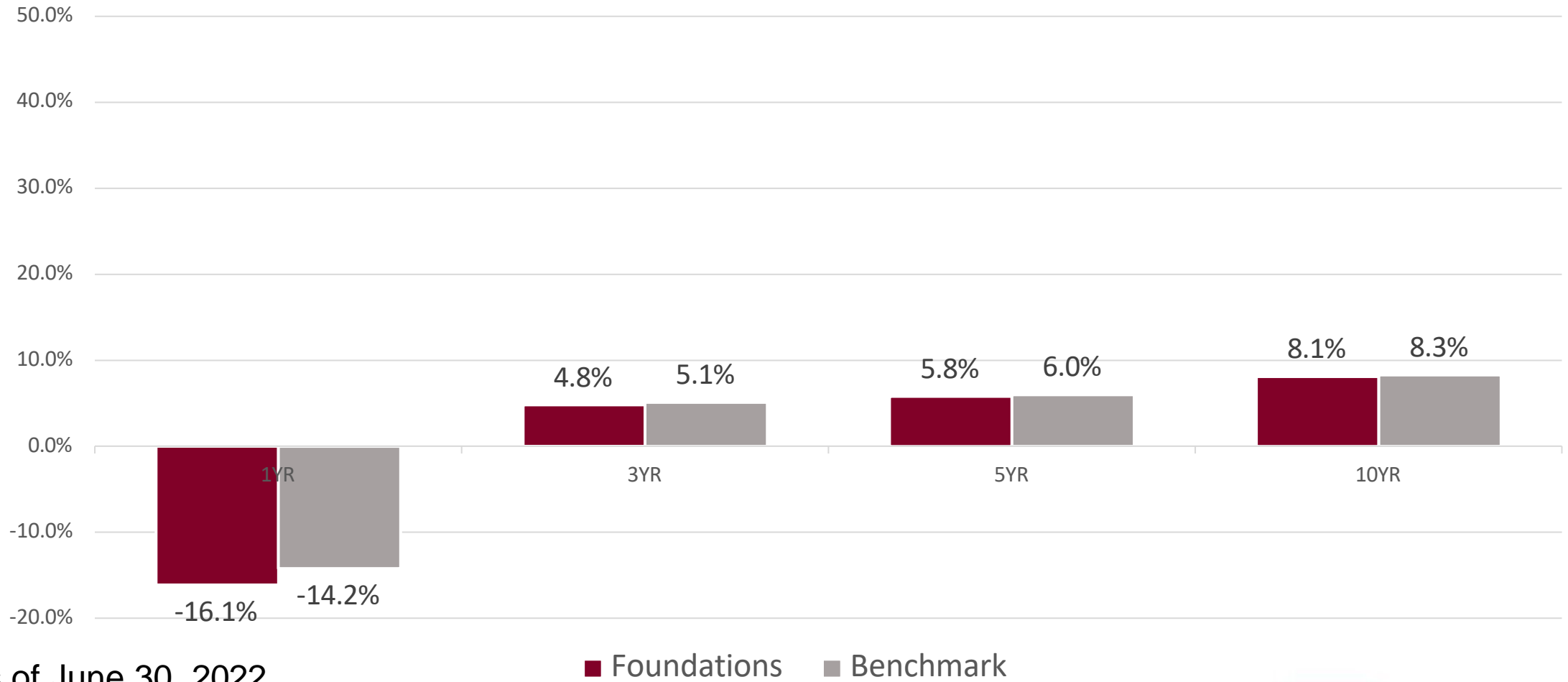
As of June 30, 2022

Total: \$664,734,482

■ Educational Foundation ■ Development Foundation ■ BPF ■ Alumni

USC Foundations Investment Returns

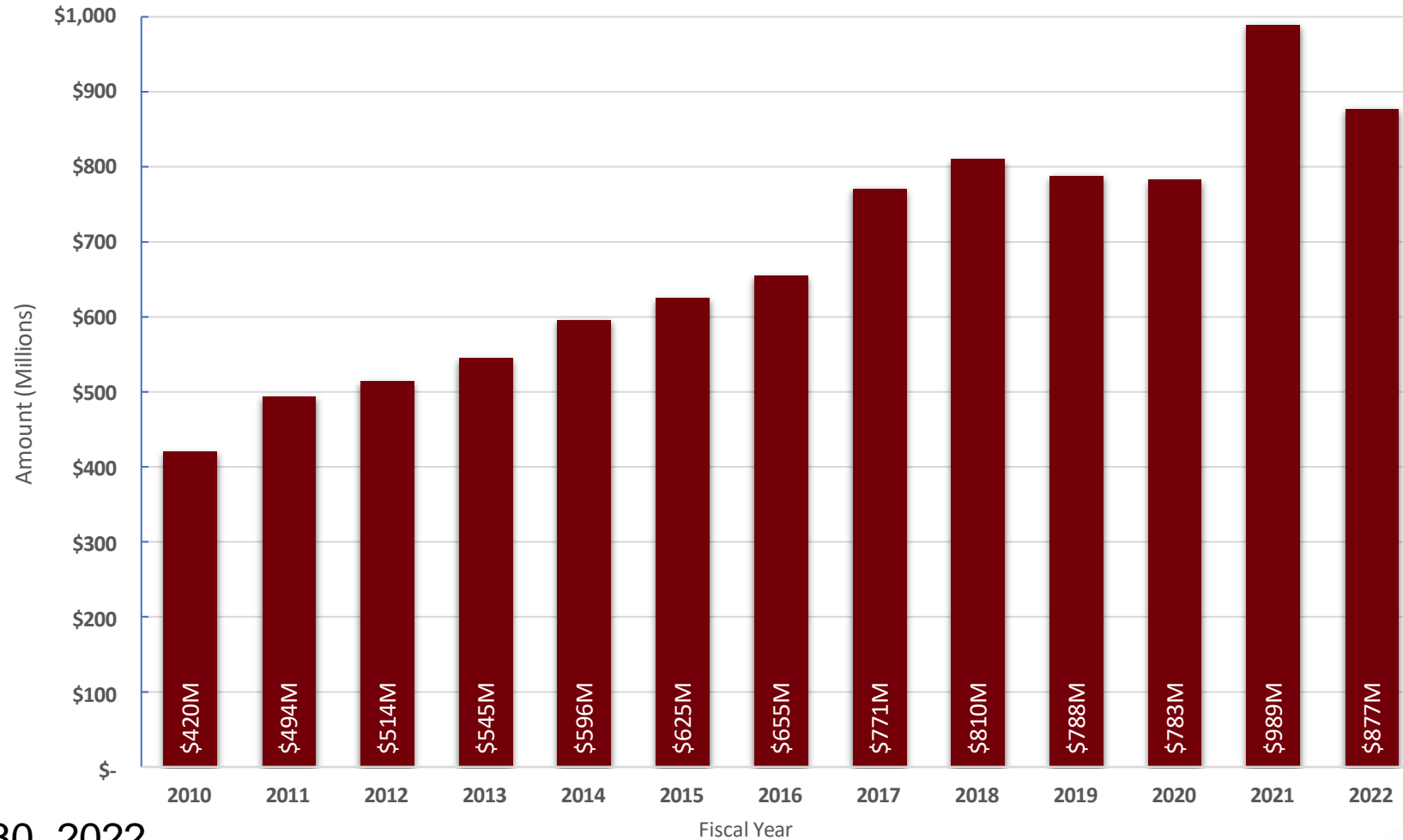
(Educational, Development, BPF, Alumni)



As of June 30, 2022

Historical Endowment Data

THE UNIVERSITY OF SOUTH CAROLINA'S ENDOWMENT



As of June 30, 2022

Ed Foundation Budgeted Support to USC FY22/23:

• Unrestricted Scholarships	\$2,500,000
• USC faculty & staff dependent scholarships	\$1,000,000
• Graduate/Professional fellowships	\$ 600,000
• Other scholarships/fellowships	\$ 713,000
• Faculty recruitment/retention	\$ 635,000
• Development	\$1,037,500
• Presidential Salary Supplement	\$ 600,000
• Children's Center	\$ 500,000
• Other Total	<u>\$ 716,100</u>
	<u>\$8,301,600</u>

Ad Hoc Committee on Divestment

- Formed to address Faculty & Student Senate resolutions passed in Spring 2021 requesting divestment of funds invested in fossil fuels
- May 2021, Ed Foundation Board appointed 7 board members to serve on the Ad Hoc Committee to evaluate & respond
- As of June 30, 2021, the investment pool contained exposure to fossil fuels of approximately 4.8% and total exposure to the energy sector of less than 5.0%
- Five meetings held since formation of committee
- Two meetings scheduled this Fall

Development Foundation Key Property Holdings

- 650 Lincoln (880 bed student housing facility)
- Innovation Center (110,000 sqft office building)
- Innovista Parking (Discovery & Horizon parking garages)
- The George – USC Upstate Business School
- CDRC – Child Development Research Center
- Korn Office Building
- Vacant land held for future development
- Other various offices/warehouses

Financial Highlights – June 30, 2022

- Total assets – \$223 million
- Total real estate – \$212 million
- Total investments – \$22.4 million
- Total current debt to finance purchases – \$156.9 million

Property Purchases

- Purchases (since June 30, 2021):
 - Catawba Street lot (across from baseball stadium)
 - Devine Street office building
 - Fed Ex Copy Center

Land - 401 Catawba Street



- Appx. 1 acre on corner of Williams and Catawba – across from Founders Park
- Closed on purchase in December 2021
- Athletics will use for baseball parking in this short-term
- Worked with contractor to demolish the house and other buildings on the property over the last few months

Office Building - 601 Devine Street

- 7,200 SF office building with appx. 22 parking spaces on .42 acres
- Purchased in March 2022
- Discussing lease opportunities with USC administrators

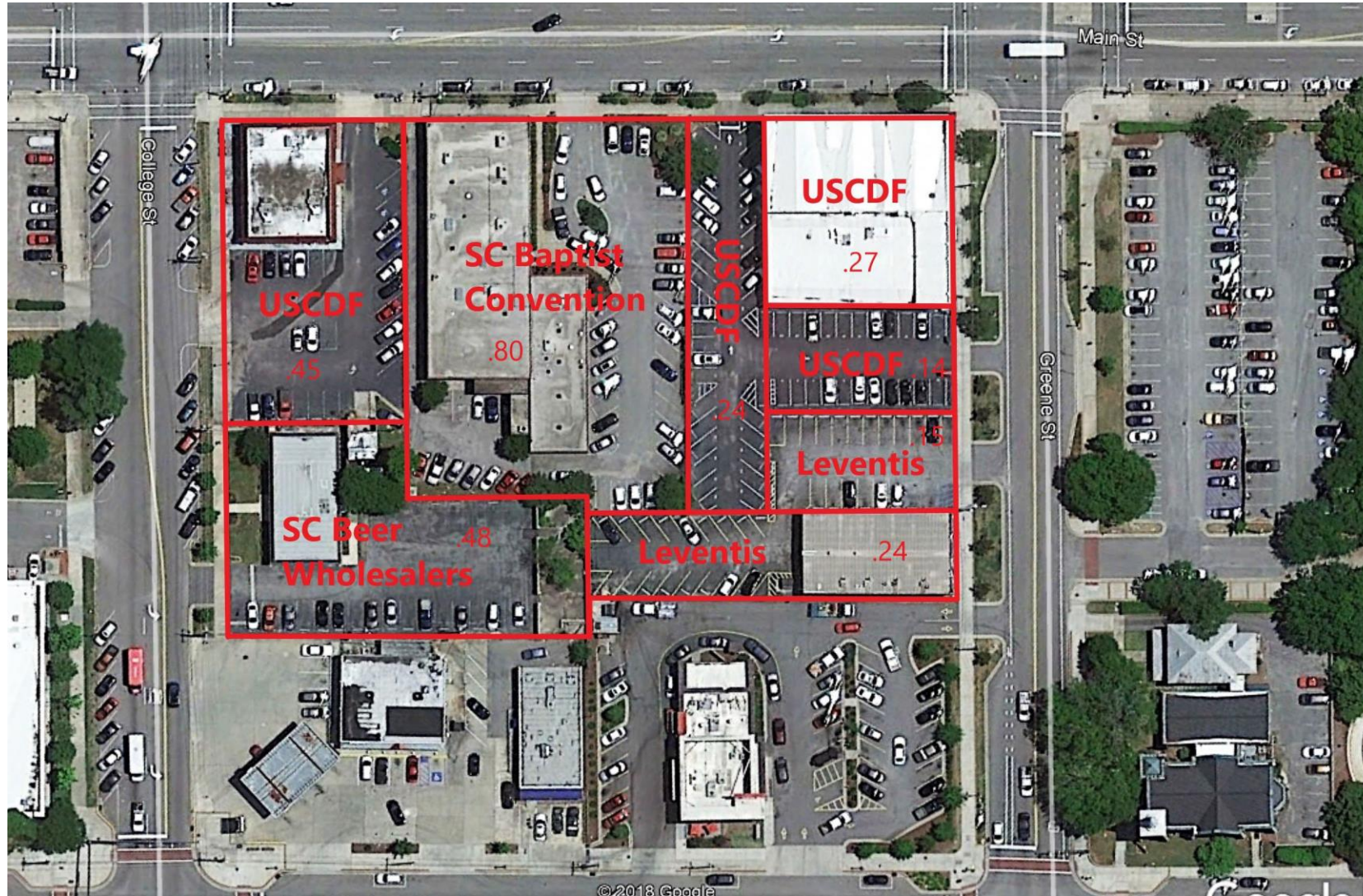


Fed Ex Office Print & Ship Center

- .39 acres, including 4,000 SF office building and 38 parking spaces
- 1111 Greene Street
- Currently leased to Fed Ex
- Closed on purchase in Sept 2022
- Considered a strategic purchase



Future Development – South Main Street

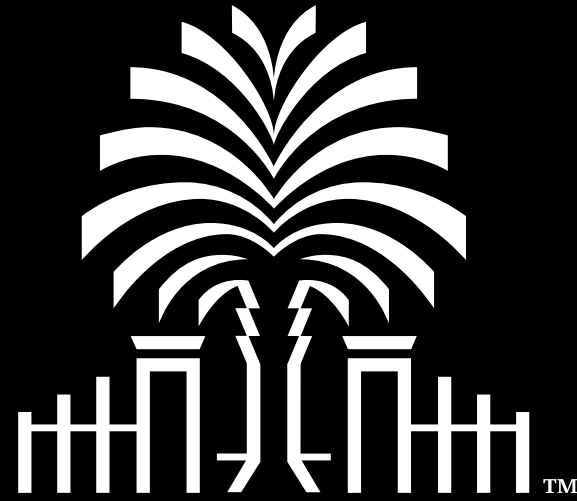


- Foundation currently owns 1.04 acres at corner of South Main Street & Greene St
- Foundation owns .45 acres at corner of South Main Street and College Street
- SC Baptist property would be key to development on block

Future Development - 737 Gadsden Street



- 3.75 acre future development site
- USC parking currently leases property for parking
- New Greene Street bridge will enhance value and access to property



UNIVERSITY OF
South Carolina

IV. FY22 Financial Statement Review (ACFR)

Year Ended June 30, 2022

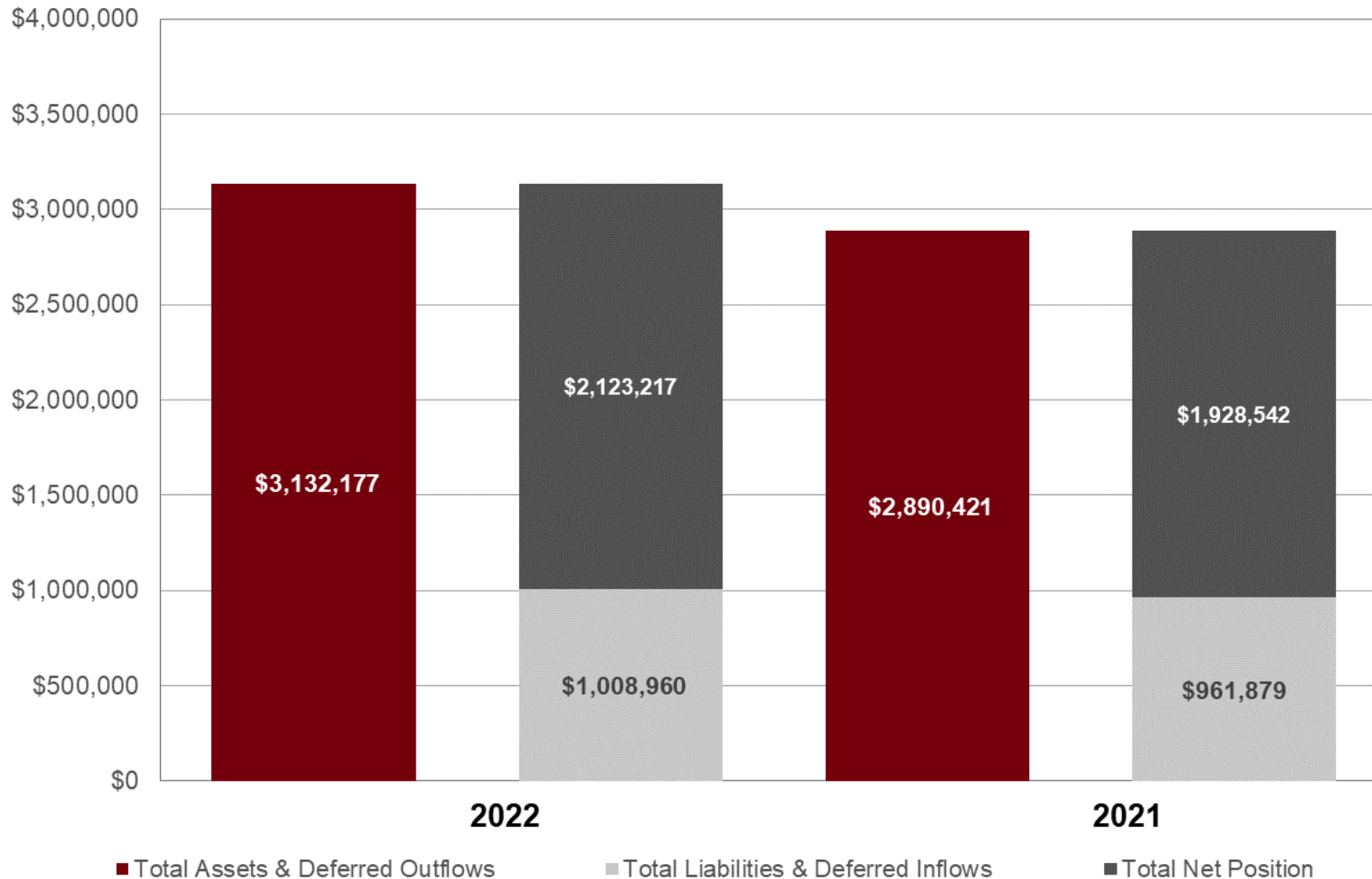
Board of Trustees
Finance and Infrastructure Committee
October 14, 2022



FY22 Financial Position Overview

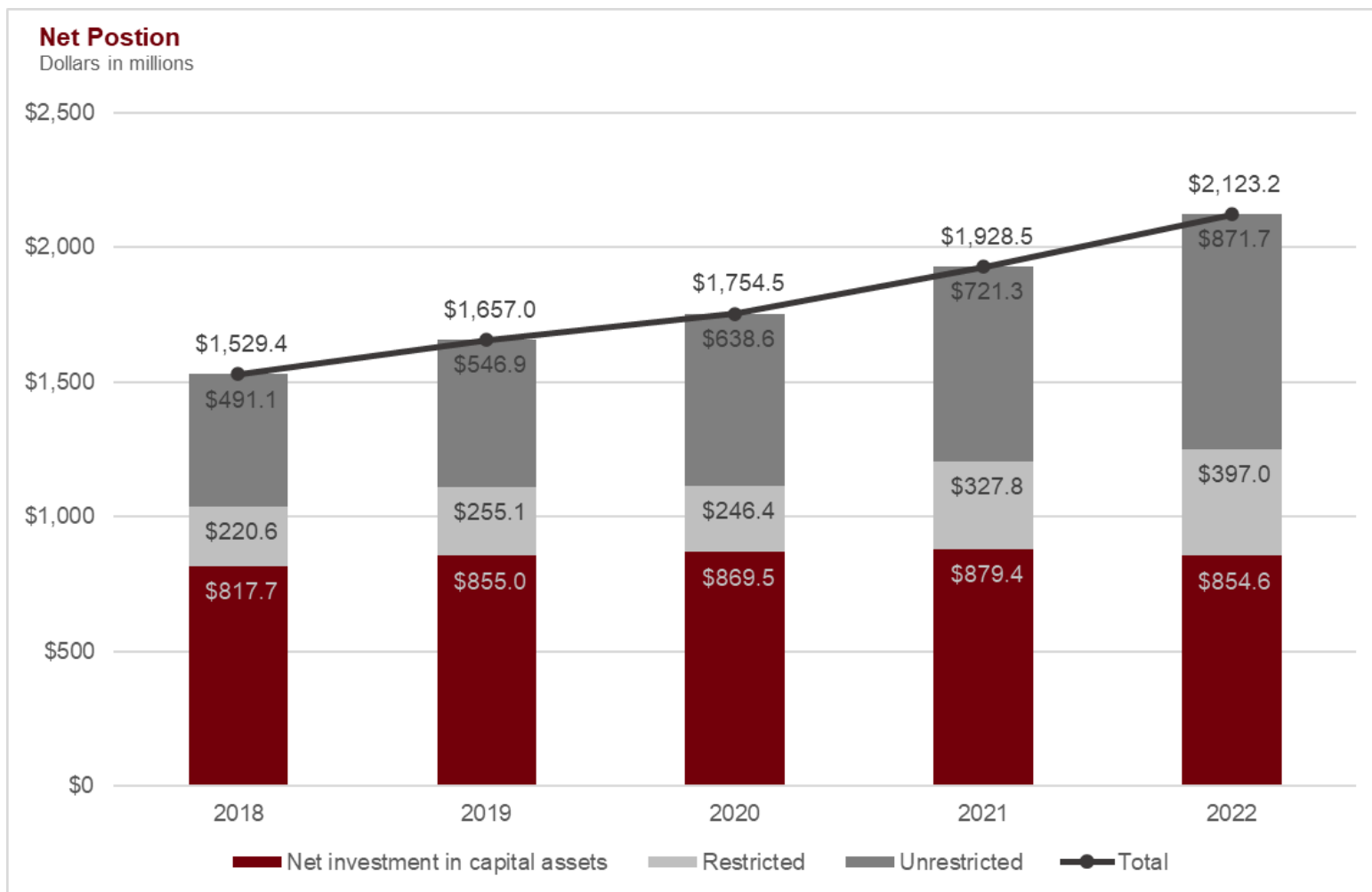
- Solid financial position at June 30, 2022 – Total Assets and Deferred Outflows- \$3.6 billion compared to \$3.3 billion at June 30, 2021.
- Current Ratio at June 30, 2022 – 7.42 times compared to 7.21 times at June 30, 2021.
- Strong cash position and reserves at June 30, 2022 up over \$68.5 million due in part to increased non-recurring infrastructure appropriations from the State.
- Stable and strong fiscal health of the University has helped us normalize post COVID-19 pandemic.
- Future Financial Position Challenges
 - Continued dependence on Tuition and Fees with no increases
 - State Appropriations growth not keeping up with rising costs and unfunded mandates
 - Increased number of financial regulations and compliance

Net Position at June 30, 2022 (without GASB 68 and GASB 75)



- Increase in total Net Position for FY22 - \$195.0 million over prior year.
- Increase in total Net Position with impact of GASB 68/75 for FY22 - \$145.0 million over prior year.
 - Net Position presented with GASB 68 and GASB 75 impact
 - Impact of GASB 68
 - Net Pension Liability – \$920 million
 - Impact of GASB 75
 - OPEB Liability - \$1.3 billion

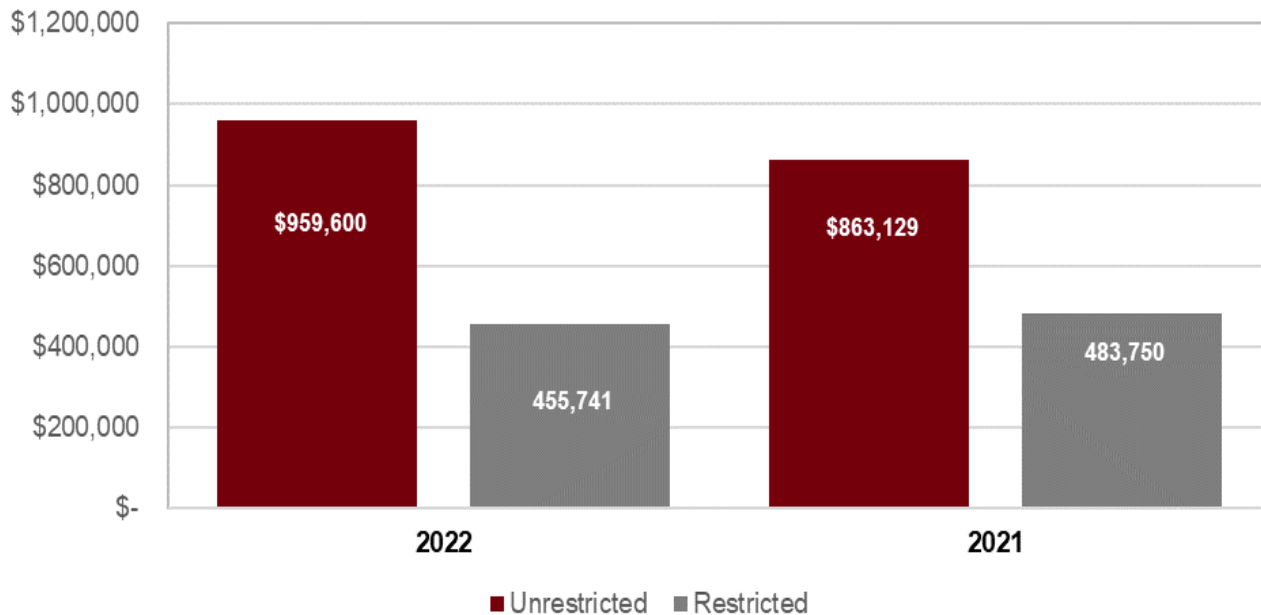
Net Position Trend (without GASB 68 and GASB 75)



- Net Position presented without GASB 68 and GASB 75 impact
- Increase in total Net Position for FY22- \$195.0 million over prior year.
- Increase in total Net Position over last five years – \$593.8 million
 - 64.1 percent or \$380.6 million of the increase is unrestricted funds.

Statement of Net Position

Cash and Cash Equivalents



The university has a strong unrestricted operating cash position of \$959.6 million as of June 30, 2022. We consider it a management priority to maintain a three-month operating cash reserve in the event of emergencies, and our current unrestricted reserve is \$367.9 million.

Liquidity:

- Current Ratio – Current assets cover liabilities 7.42 times
- Provides liquidity and ability to weather short term demands

Reserves:

- Cash and Cash equivalents cover 8.9 months of total operating expenses
- One month of operating expenses - \$122.6 million

Statement of Net Position

Capital Assets

Capital Assets:

- \$1.53 billion invested in capital assets, net of accumulated depreciation – increase of 5.9 percent over prior year

Highlights for Capital Assets:

- Construction in Progress Increase – Campus Village
- Capitalization – Leased Assets
- South Caroliniana Library - Columbia
- West Campus Parking - Columbia
- Emergency Generators and Energy Plant Improvement - Columbia
- Information Resource Center - Upstate
- Scholars Academy Building - Aiken

CAPITAL ASSETS

Dollars in thousands

	2022	2021	Percent Change
Land and Other Nondepreciable Assets	\$ 149,709	\$ 147,318	1.6%
Construction in Progress	124,562	36,481	241.4%
Land Improvements, <i>Net</i>	49,602	53,766	-7.7%
Buildings and Improvements, <i>Net</i>	1,077,150	1,105,973	-2.6%
Machinery, Equipment and Vehicles, <i>Net</i>	69,175	65,632	5.4%
Intangibles, <i>Net</i>	26,363	33,057	-20.2%
Leased Assets, <i>Net</i>	31,325	-	100.0%
Total	\$ 1,527,886	\$ 1,442,227	5.9%

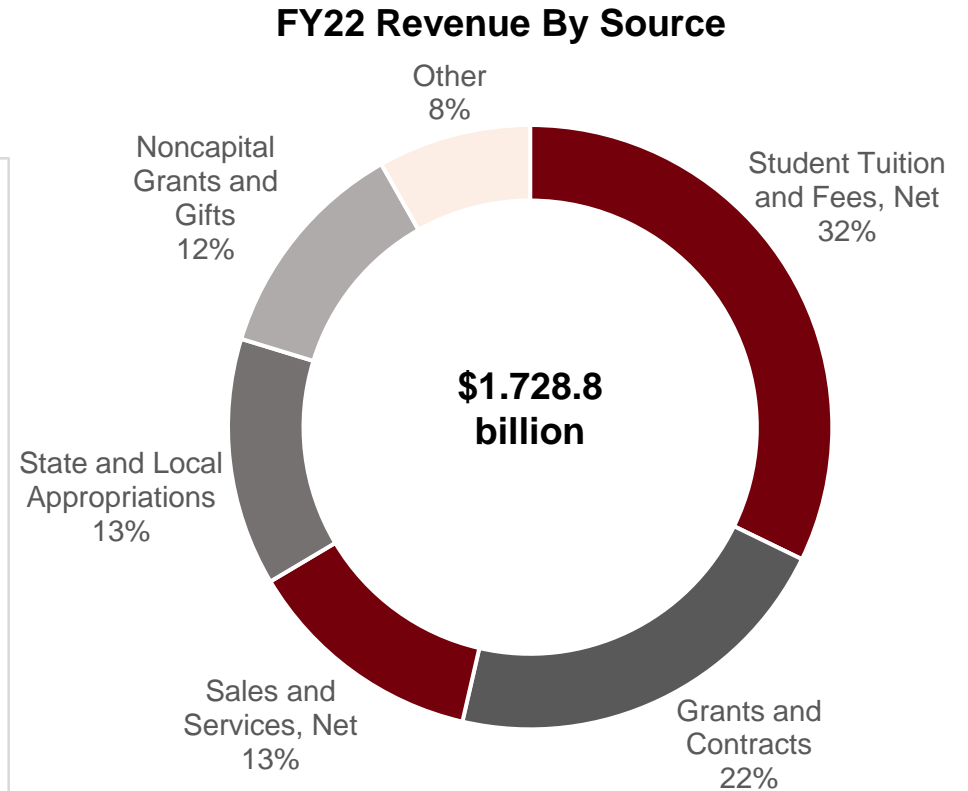
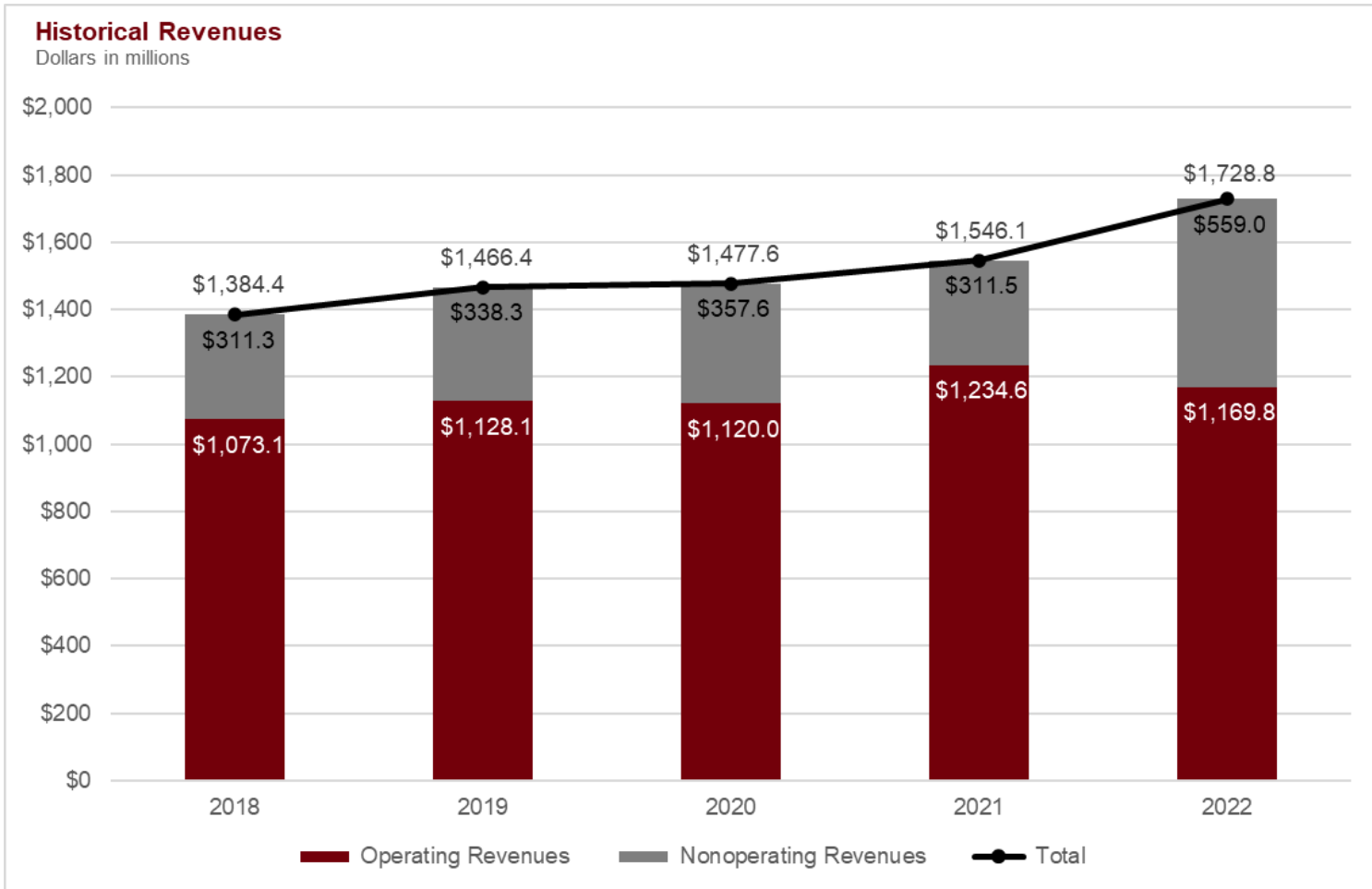
Annual Depreciation - \$85.7 million



Statement of Revenues, Expenses and Changes in Net Position

Summary of Revenues

- Diversified Revenue Base – grown 24.9% since 2018
- FY22 - Net student tuition and fees - largest source of revenue at 32% and Grants and Contracts – second largest source at 22%



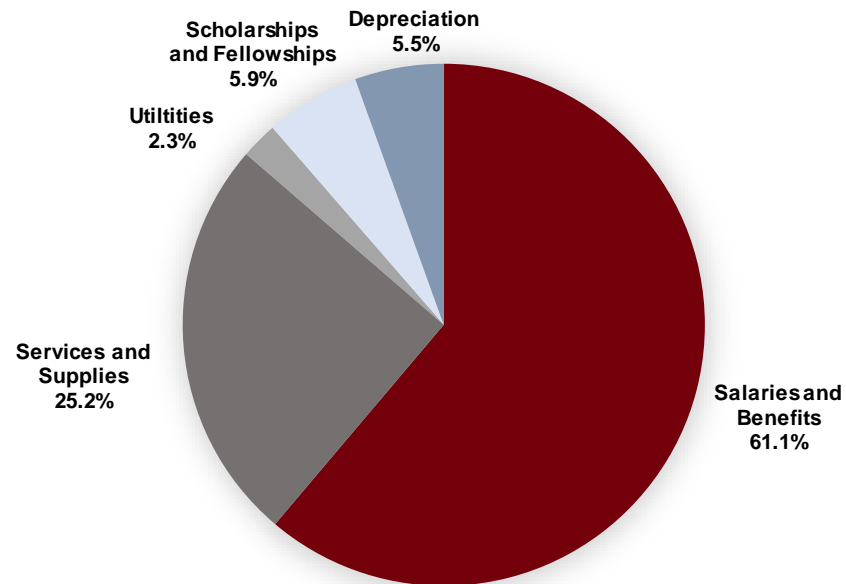
Statement of Revenues, Expenses and Changes in Net Position

Summary of Expenditures

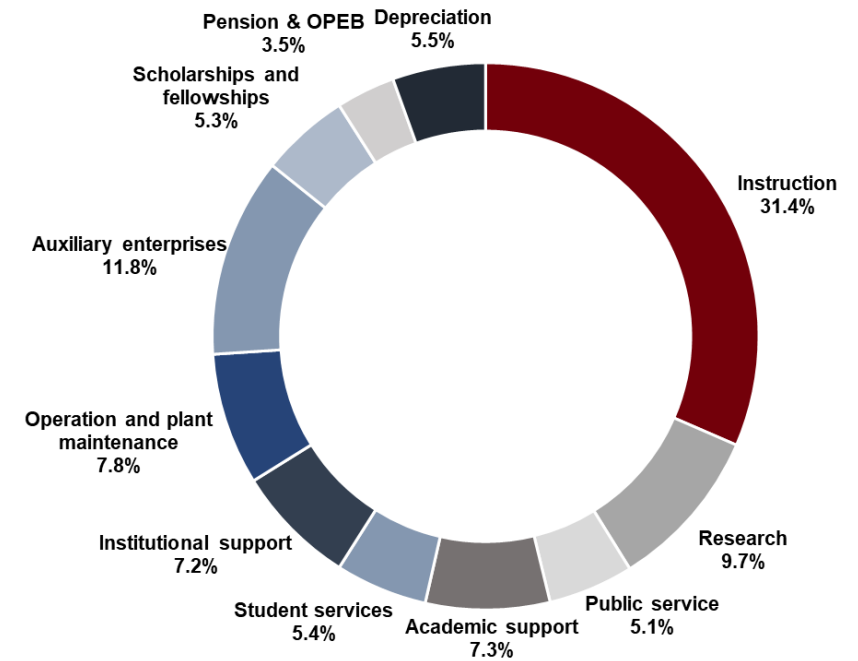
Operating Expenses by Natural Classification

Dollars in thousands

	2022	2021	Increase (Decrease)	
			Amount	Percent
Salaries and Benefits	\$ 952,574	\$ 983,888	\$ (31,314)	-3.2%
Services and Supplies	391,910	305,116	86,794	28.4%
Utilities	35,410	29,561	5,849	19.8%
Scholarships and Fellowships	91,560	58,983	32,577	55.2%
Depreciation	85,718	79,124	6,594	8.3%
Total Operating Expenses	\$ 1,557,172	\$ 1,456,672	\$ 100,500	6.9%



Operating Expenses by Function



Composite Financial Index

Ratios	FY21-22	FY20-21	FY19-20	Average
Primary Reserve	0.61	0.63	.50	.58
Viability	1.16	1.07	1.14	1.12
Return on Net Position	10.09%	9.92%	5.88%	8.63%
Net Operating Revenues	2.55%	10.49%	4.75%	2.93%
CFI	3.79	4.35	3.23	3.79

- The **Primary Reserve Ratio** helps to discern if the resources of the institution are sufficient and flexible enough to support the mission. A target for this ratio is .40 or better.



- The **Return on Net Position Ratio** analyzes whether the asset performance and management support the institution's strategic direction. A target for this ratio is between 6 and 7 percent.



- The **Viability Ratio** analyzes whether the financial resources (including debt) are managed strategically to advance the mission. The ratio measures the availability of expendable net assets to cover debt should the institution need to settle its obligations at the Statement of Net Position date. A target for this ratio is 1.0 or better.



- The **Net Operating Revenues Ratio** helps to evaluate whether the institution is living within its available resources. A target of at least 2% to 4% is a goal over an extended time period.



The **Composite Financial Index (CFI)** is a NACUBO developed **index** that shows the relative financial health of the institution. The CFI is derived using four ratios: Primary Reserve Ratio, Viability Ratio, Return on Net Assets Ratio and Net Operating Revenue Ratio. A score of 3 or higher represents a relatively strong financial position.

V. FY22 University Capital Finance and Debt Update

Year Ended June 30, 2022

Board of Trustees
Finance and Infrastructure Committee
October 14, 2022



Capital Finance Highlights 2021-2022

Campus Village Issuance- June 2021

- Led a great team of partners from Barclays, PFM, Bond Counsel, Disclosure Counsel, Underwriter Counsel, State Treasurer's Office, Housing staff
- Review, analysis and rework of Higher Education Revenue Bonds Official Statement was completed for compliance with bond resolution
- Moody's and Fitch awarded Aa2 and AA respectively to the financing and maintained those rates for existing debt in the midst of COVID-19
- University's largest bond financed project at \$210 million
- Historical low 2.75% financing yield

Refundings and Issuance – February 2022

- Led a great team of partners from Barclays, PFM, Bond Counsel, Disclosure Counsel, Underwriter Counsel, State Treasurer's Office, and Housing and Athletics staff
- Review, analysis and rework of Special Higher Education Revenue Bonds and Athletic Facilities Official Statements were completed for compliance with bond resolution
- Moody's and Fitch awarded Aa2 and AA respectively to the financing and maintained those rates for existing debt
- Involved refundings and issuance on all three of University credits
- PV Savings \$15.68 million from refundings and issuance. Compressed financing in record time to ensure maximum savings in a very volatile market.
- Historic low financing yields across all three University credits

Outstanding Debt Institution

Based on Bonds Outstanding on June 30, 2022

Amount
Outstanding

Columbia

State Institution Bonds - Columbia	\$ 102,689,000
State Institution Bonds - School of Medicine	965,000
Higher Education Revenue Bonds - Housing	283,503,000
Higher Education Revenue Bonds - Parking	6,887,000
Special Revenue Bonds - Academics	39,805,000
Athletic Facilities Revenue Bonds	169,360,000
Total	603,209,000

USC Aiken

State Institution Bonds	\$ 3,134,000
Higher Education Revenue Bonds - Housing	14,180,000
Total	17,314,000

USC Beaufort

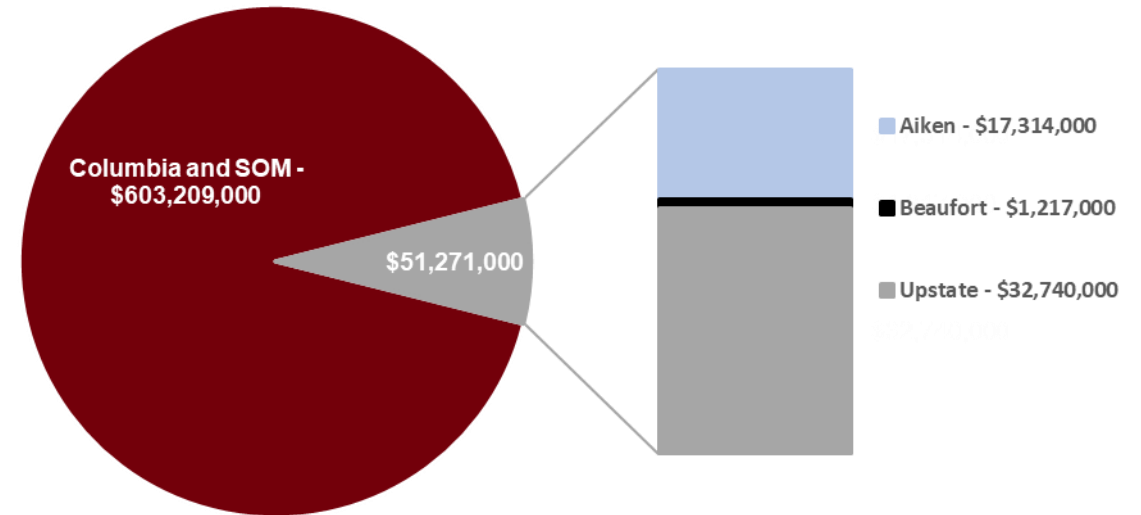
State Institution Bonds	\$ 1,217,000
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USC Upstate

State Institution Bonds	\$ 7,315,000
Higher Education Revenue Bonds - Housing	22,275,000
Higher Education Revenue Bonds - Bookstore	3,150,000
Total	32,740,000

Total Outstanding as of June 30, 2022 **654,480,000**

Outstanding Bonds by Campus
Based on Bonds Outstanding as of June 30, 2022



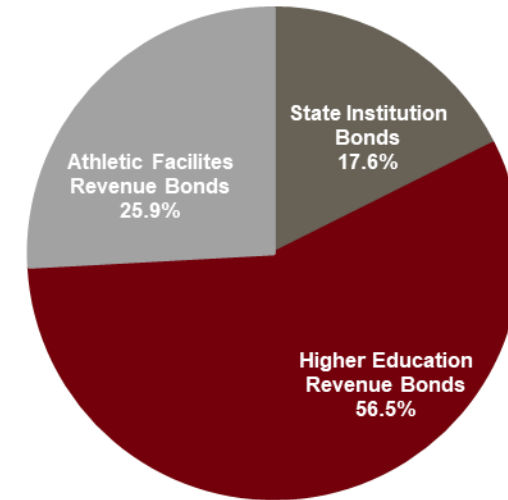
Outstanding Debt

Bond Type

Based on Bonds Outstanding on June 30, 2022

	Amount Outstanding
<u>State Institution Bonds</u>	
Columbia	\$ 102,689,000
School of Medicine - Columbia	965,000
Aiken	3,134,000
Beaufort	1,217,000
Upstate	7,315,000
Total	<u>115,320,000</u>
<u>Higher Education Revenue Bonds</u>	
Columbia - Housing	\$ 283,503,000
Columbia - Parking	6,887,000
Special Revenue Columbia - Academics	39,805,000
Aiken - Housing	14,180,000
Upstate - Housing	22,275,000
Upstate - Bookstore	3,150,000
Total	<u>369,800,000</u>
<u>Athletic Facilities Revenue Bonds</u>	
Columbia	\$ 169,360,000
Total Outstanding as of June 30, 2022	<u>654,480,000</u>

University Debt Portfolio by Type
Based on Bonds Outstanding on June 30, 2022



Debt Activity Summary

Fiscal Year 2021-2022

Based on Bonds Outstanding on June 30, 2022

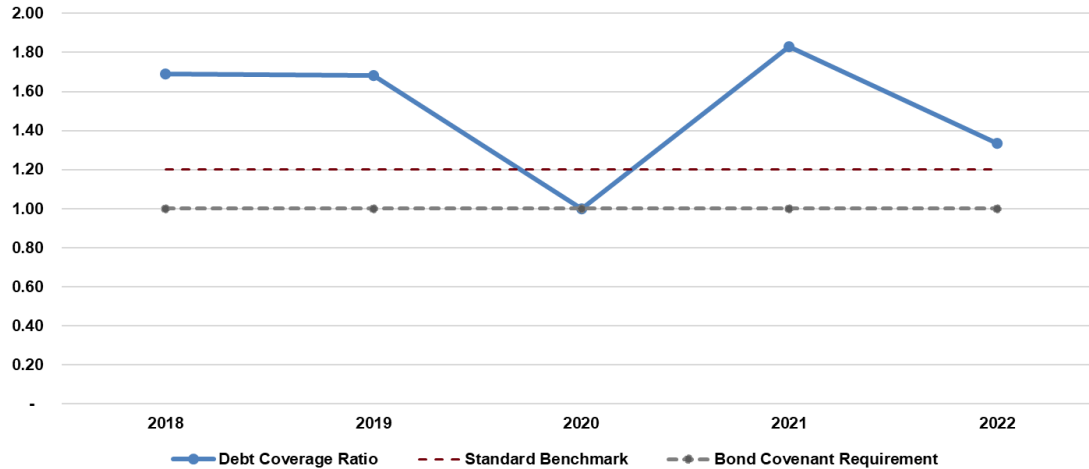
	Principal Outstanding June 30, 2021	Principal New Issues	Principal Retired/Defeased Current Year	Principal Outstanding June 30, 2022
<u>State Institution Bonds</u>				
Columbia	\$ 113,083,000	\$ -	\$ 10,394,000	\$ 102,689,000
School of Medicine - Columbia	1,415,000	-	450,000	965,000
Aiken	3,835,000	-	701,000	3,134,000
Beaufort	1,322,000	-	105,000	1,217,000
Upstate	8,385,000	-	1,070,000	7,315,000
Total	128,040,000	-	12,720,000	115,320,000
<u>Higher Education Revenue Bonds</u>				
Columbia - Housing	291,680,000	13,818,000	21,995,000	283,503,000
Columbia - Parking	7,585,000	322,000	1,020,000	6,887,000
Special Revenue Columbia - Academics	49,095,000	39,805,000	49,095,000	39,805,000
Aiken - Housing	15,300,000	-	1,120,000	14,180,000
Upstate - Housing	23,375,000	-	1,100,000	22,275,000
Upstate - Bookstore	3,275,000	-	125,000	3,150,000
Total	390,310,000	53,945,000	74,455,000	369,800,000
<u>Athletic Facilities Revenue Bonds</u>				
Columbia	162,830,000	36,690,000	30,160,000	169,360,000
Total Outstanding as of June 30, 2022	\$ 681,180,000	\$ 90,635,000	\$ 117,335,000	\$ 654,480,000



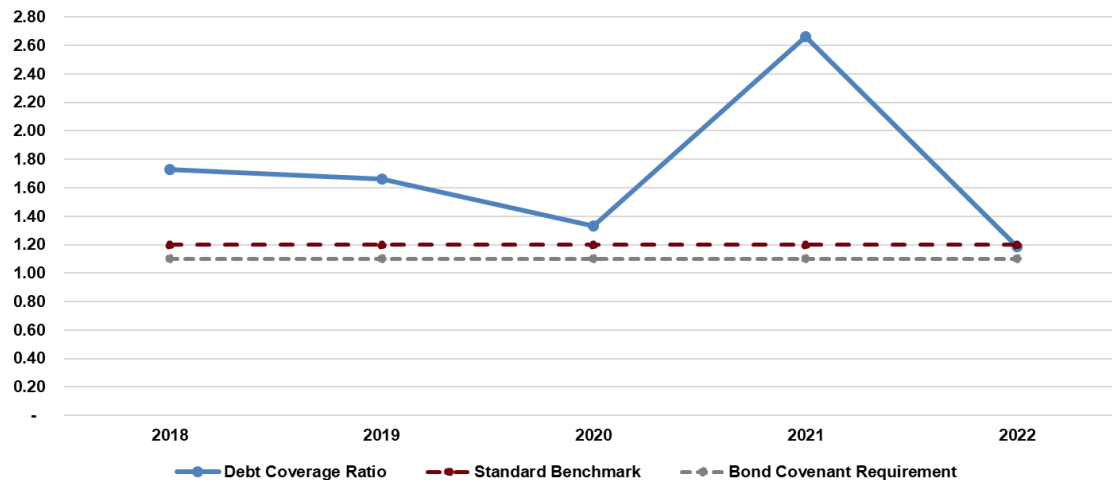
Annual Debt Coverage Ratio

Fiscal Year 2021-2022

Higher Education Revenue Bonds
Debt Coverage and Bond Covenant Ratio



Athletic Facilities Revenue Bonds
Debt Coverage and Bond Covenant Ratio



- Debt Coverage Ratio is an indicator of the ability to repay annual principal and interest relative to overall operating expenses.
- Annual Debt Coverage is computed on YTD revenues, expenditures and debt service payments for all bond types.
- Bond Covenants allow for Additional Funds for coverage for Higher Education Revenue Bonds and Special Revenue Bonds.

Original Issuance to Current Outstanding

Based on Bonds Outstanding on June 30, 2022

	Original Issuance	Principal Retired to date thru June 30, 2022	Principal Outstanding June 30, 2022
<u>State Institution Bonds</u>			
Columbia	\$ 173,819,000	\$ 71,130,000	\$ 102,689,000
School of Medicine - Columbia	3,950,000	2,985,000	965,000
Aiken	7,268,000	4,134,000	3,134,000
Beaufort	1,322,000	105,000	1,217,000
Upstate	13,100,000	5,785,000	7,315,000
Total	199,459,000	84,139,000	115,320,000
<u>Higher Education Revenue Bonds</u>			
Columbia - Housing	330,793,000	47,290,000	283,503,000
Columbia - Parking	12,112,000	5,225,000	6,887,000
Special Revenue Columbia - Academics	101,750,000	61,945,000	39,805,000
Aiken - Housing	18,955,000	4,775,000	14,180,000
Upstate - Housing	28,185,000	5,910,000	22,275,000
Upstate - Bookstore	3,615,000	465,000	3,150,000
Total	495,410,000	125,610,000	369,800,000
<u>Athletic Facilities Revenue Bonds</u>			
Columbia	270,460,000	101,100,000	169,360,000
Total Outstanding as of June 30, 2022	\$ 965,329,000	\$ 310,849,000	\$ 654,480,000



UNIVERSITY OF
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Future Debt Service

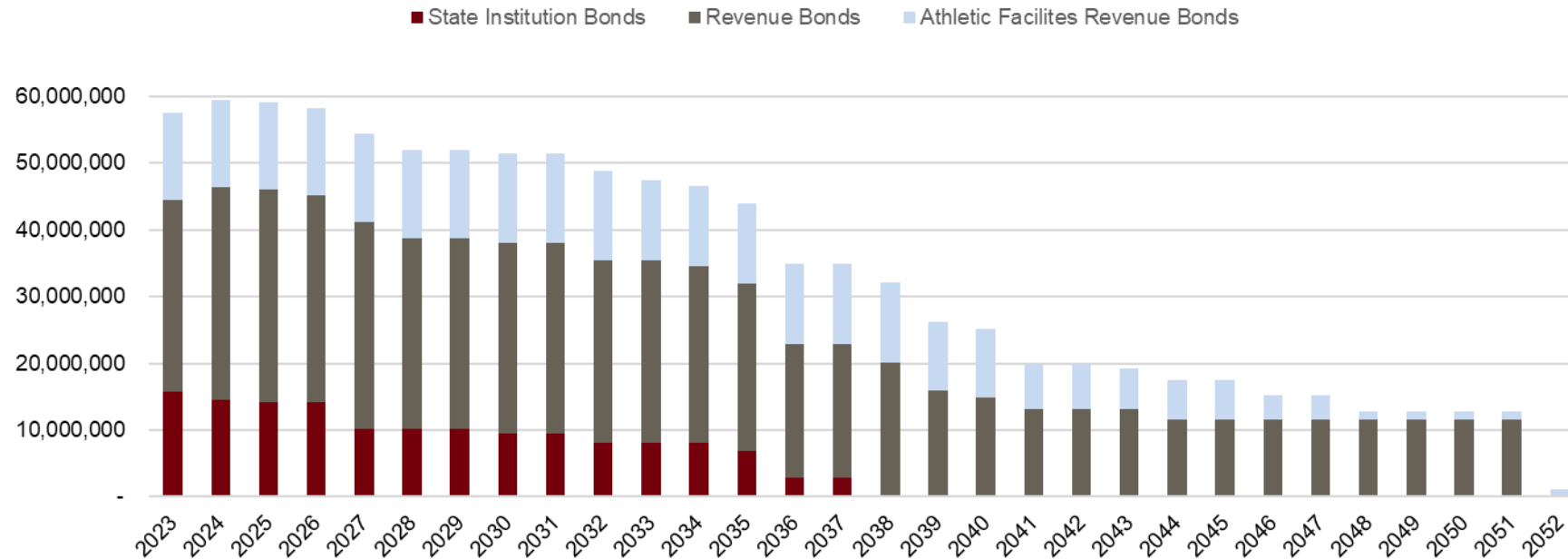
Based on Bonds Outstanding on June 30, 2022

	<u>June 30, 2023</u>	<u>June 30, 2024</u>	<u>June 30, 2025</u>	<u>June 30, 2026</u>	<u>June 30, 2027</u>
Type of Bonds					
State Institution Bonds	\$ 15,701,193.76	\$ 14,552,143.76	\$ 14,104,393.76	\$ 14,146,643.76	\$ 10,093,943.76
Revenue Bonds	28,814,736.00	31,919,736.00	31,918,664.00	31,050,985.76	31,087,937.50
Athletic Facilities Revenue Bonds	13,055,093.76	13,059,593.76	13,066,093.76	13,133,843.76	13,269,093.76
Total	\$ 57,571,023.52	\$ 59,531,473.52	\$ 59,089,151.52	\$ 58,331,473.28	\$ 54,450,975.02
Campus					
Columbia	\$ 50,877,442.52	\$ 52,979,786.52	\$ 52,496,388.52	\$ 51,745,500.28	\$ 49,117,350.02
Aiken	2,673,702.00	2,532,586.00	2,560,470.00	2,542,514.00	2,065,608.00
Beaufort	170,854.00	171,326.00	171,518.00	171,434.00	171,042.00
Upstate	3,849,025.00	3,847,775.00	3,860,775.00	3,872,025.00	3,096,975.00
Total	\$ 57,571,023.52	\$ 59,531,473.52	\$ 59,089,151.52	\$ 58,331,473.28	\$ 54,450,975.02

Future Maturities of Bonds Payable

Based on Bonds Outstanding on June 30, 2022

Future Debt Service on Outstanding Bonds



Note: Future Debt Service includes Principal and Interest

VI. Capital Finance Series 2013 Bond Refunding Request

October 14, 2022



Higher Education Revenue Bonds Refunding Request

Requesting a bond refunding of Series 2013

Original Issuance: May 1, 2013 - \$26,295,000 (Series 2013)

Projects Funded:

- Women's Quad Renovations

Current Outstanding Principal: \$22,080,000

Estimated PV Savings: \$ 714,992

Avg Annual Debt Service Savings: \$ 29,563

Resolution Refunding Request: \$28,000,000



VII. FY22 Year-End Budget Review

October 14, 2022



OPERATING BUDGET SUMMARY

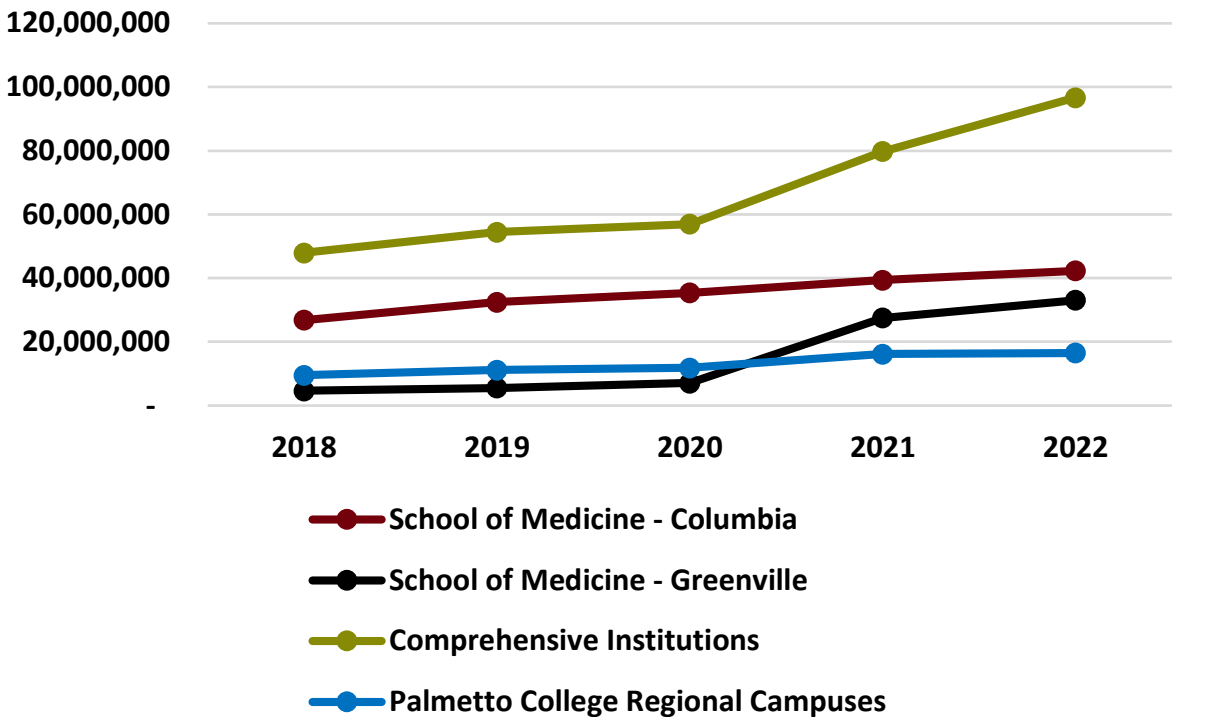
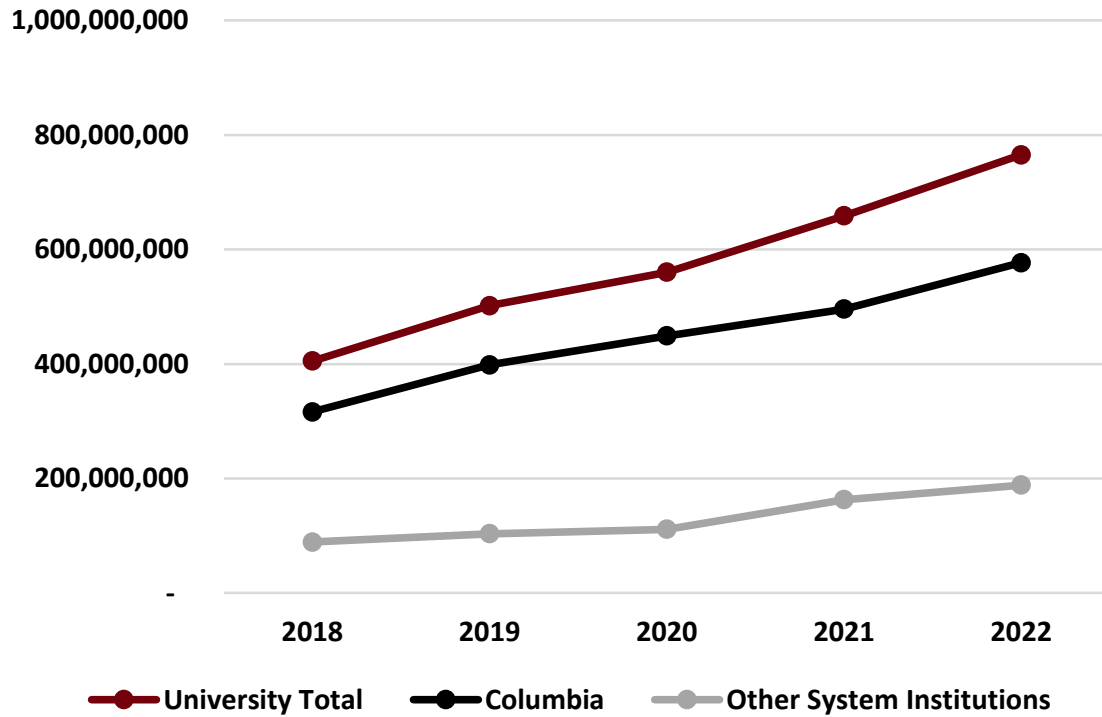
FY2022

- The University System was supported by tuition mitigation received from the State, allowing the System to keep tuition at the same rate for the fourth year in a row (three years with -0-% tuition increases).
- In Columbia, FY2022 tuition flowing to Academic Units was \$2.5 million less than the prior year. Decrease was due to national trend impacting retention because some students transferred to a university closer to home or did not continue in higher education.

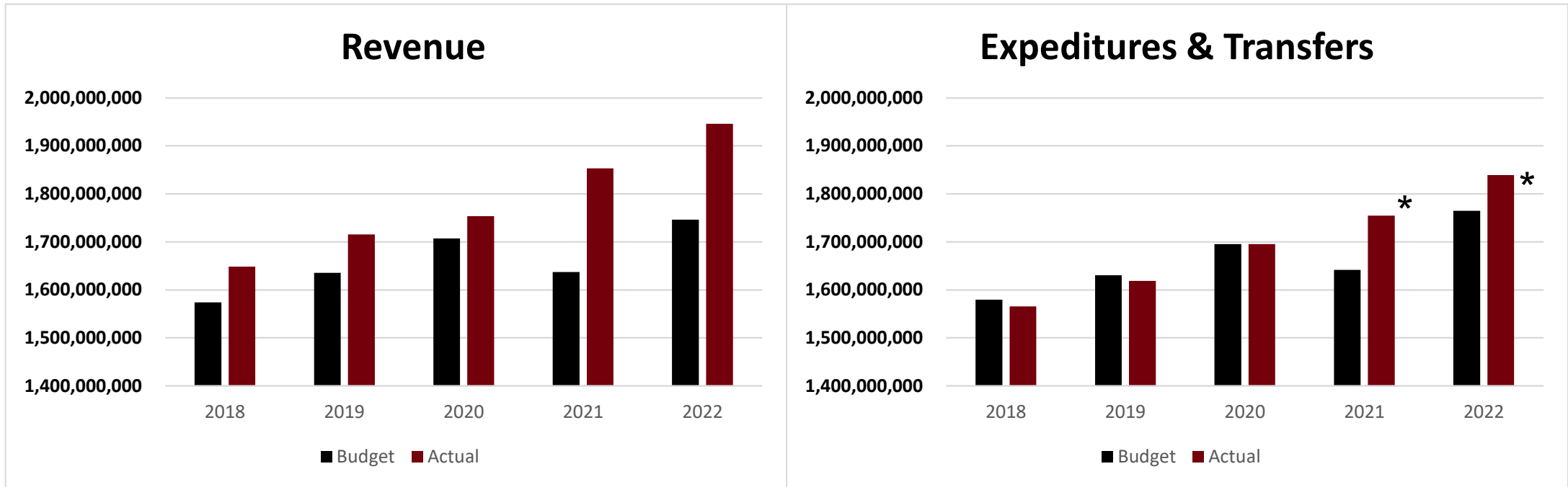
FY2023, 1st Quarter – Columbia

- The University System approved no increases to tuition in FY2023.
- In Columbia, first-year enrollment set a university record. Even with the smaller class sizes in 3rd and 4th years, tuition to the Academic units is \$5.0 million more than Fall of FY2022.
- Inflation continues into FY2023: CPI is measured at 8.3% as of September addressing goods and services. The Higher Education Pricing Index (HEPI) considers wages as well and is forecasted to rise to 5.2% in fiscal year 2022, based on data available year-to-date through August 19, 2022.

Total Current Funds – Year End Fund Balances by Institution



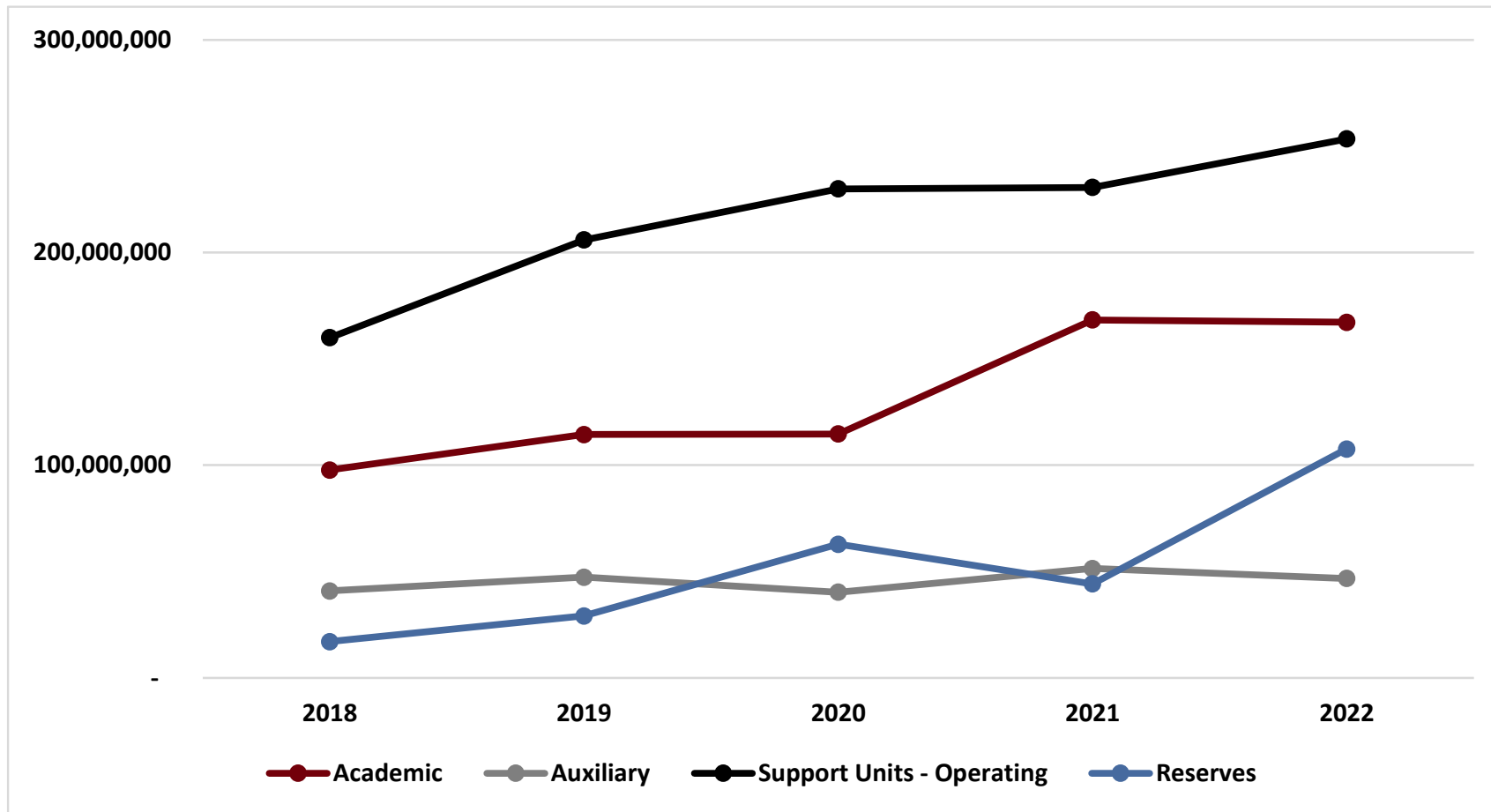
USC System - Budget To Actual Variance



Activity includes all current fund types. Expenditures over budget can occur if prior year carryforward balance is expended on one-time expenses or if new restricted grant awards are expended.

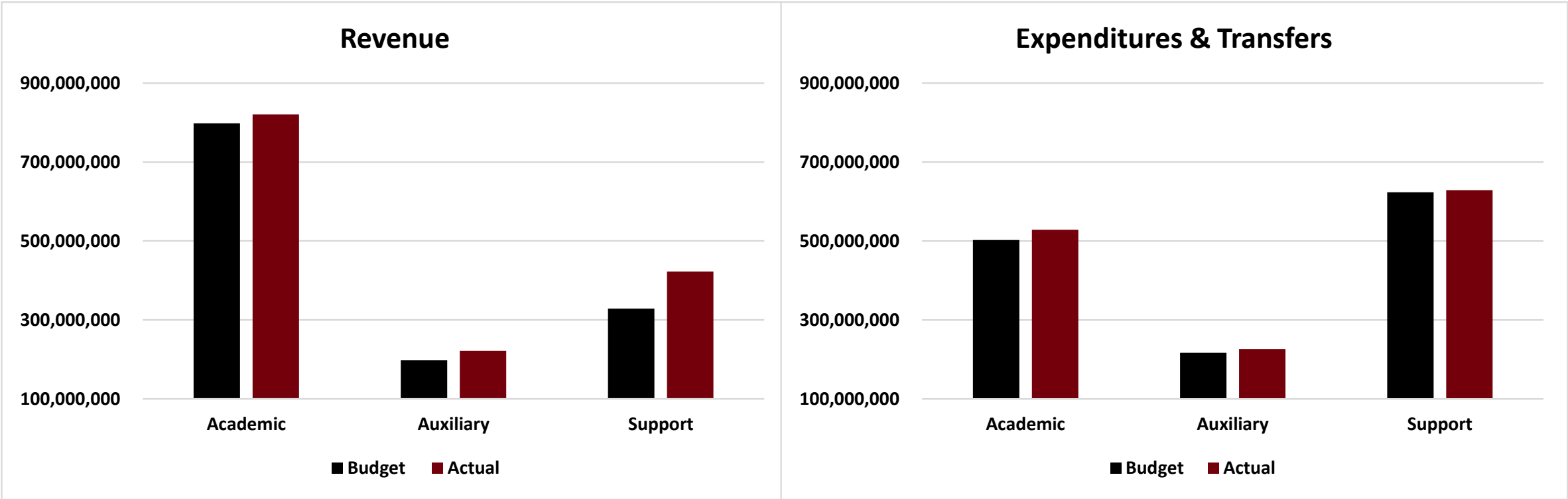
*2021 and 2022 increases of actual over budget pertain to HEERF expenditures and restricted grant expenditures, respectively.

USC Columbia - Fund Balance



For purposes of this schedule, Reserves include HEERF, Excellence, Efficiency, University Reserves.

USC Columbia - Budget To Actual Variance By Unit Type FY2022



VIII. FY23 BUDGET FALL REVIEW

FY23 FALL ENROLLMENT IMPLICATIONS

Columbia Billing Hours Change Fall 2022 v Fall 2021 as of 9/19/2022:

↑ 6.45%	New Freshman	↓ 2.96%*	Graduate & Professional
↑ 1.18%	Continuing Ugrads		
↑ 2.33%	Total Ugrads	↑ 1.41%*	Overall Columbia

** Reduction caused by changes in job markets providing more opportunities and higher wages for individuals who would have entered a graduate program in a weaker job market.*

Budget Model

FY23 Budget ('000s)

Direct Revenue:

- Academic Fees
- Summer Tuition
- Grants & Contracts
- Historical indirect cost recovery [IDC] split (37.5%) related to grants
- Sales & services and other revenue

Applied Revenue:

- Fall/Spring Tuition (based on 70/30 methodology)
- State Appropriations (based on 70/30 methodology)
- Direct State Appropriations
- Remaining IDC (62.5%)

	A	B	C=A+B	D	E= C+D
Unit	Revenue (Direct & Applied)	Direct Expenses, Contras, & Transfers	Margin Prior to Model Allocations	Model Allocations & Indirect Expense	Margin after "Internal Rebalancing"
Arts & Sciences	\$ 271,219	\$ (156,645)	\$ 114,573	\$ (114,295)	\$ 278
Education	48,512	(38,921)	9,591	(9,591)	0
Engineering & Computing	99,527	(69,763)	29,764	(29,764)	0
Hospitality, Retail and Sports Mgt	45,813	(18,691)	27,122	(27,125)	(3)
Law	34,455	(31,060)	3,395	(3,409)	(14)
Information & Communication	31,459	(14,797)	16,663	(16,663)	0
Darla Moore School of Business	106,300	(63,167)	43,132	(42,718)	414
Nursing	30,747	(18,941)	11,806	(11,620)	186
Pharmacy	27,595	(18,317)	9,277	(9,314)	(37)
Arnold School of Public Health	99,075	(67,515)	31,560	(31,560)	0
Music	8,718	(11,586)	(2,868)	2,878	10
Social Work	27,816	(19,024)	8,792	(8,792)	0
Academic Unit Total	831,236	(528,427)	302,809	(301,975)	834
Athletics	132,769	(132,562)	207	0	207
Student Health	17,000	(17,000)	0	0	0
Housing	53,000	(53,000)	0	0	0
Parking	4,956	(5,175)	(219)	0	(219)
Auxiliary Unit Total	207,725	(207,737)	(12)	0	(12)
Support Unit Total	338,467	(639,463)	(300,996)	301,975	979
Pass-Through Unit Total	2,062	(1,980)	82	0	82
Current Funds Total	\$ 1,379,490	\$ (1,377,606)	\$ 1,883	\$ 0	\$ 1,883

Direct Expense:

- Operating expenses
- Expense recoveries
- Net transfers

Indirect Expense:

- Costs related to administrative/support units allocated to academic units

Model Allocations:

- Participation fee (tax)
- Legacy model adjustment (HRSM)
- Subvention (balancing funds for units whose revenue do not fully cover expenses.)
- Strategic Initiative Funding (SIF) (Provost utilizes funding not used for subvention to incent Academic Productivity).

Budget Model

Comparison of FY23 Budget to Actuals (through 8/31/22)

Academic Units

Revenue Benchmarks As of 8/31:

Total Revenue

50% of budget collected

Based on the historical collection rates:

- 50% of Tuition
- 100% of Appropriations
- 20-25% of Grants, Contracts and Gifts (including IDC)
- 20-25% of Sales, Services and Other


Expense Benchmarks As of 8/31:


Total Expense


16.7% of budget expended
(1/6 of year)

Unit	Revenue (Direct & Applied)	Direct Expenses, Contras, & Transfers	Notes
Arts & Sciences	53%	13%	
Education	44%	15%	Revenue is 44% of budget due to the timing of grant/restricted fund activity. Unrestricted revenues are 62% of budget and therefore meet expectations. Expense meets or exceeds expectations.
Engineering & Computing	49%	18%	Revenue is 49% of budget due to the timing of grant/restricted fund activity. Unrestricted revenues are 61% of budget and therefore meet expectations. Expense is 18% of budget due to increased grant/restricted fund activity. Unrestricted fund expenses are 12% of budget and therefore meet expectations.
Hospitality, Retail and Sports Mgt	54%	12%	
Law	58%	13%	
Information & Communication	61%	11%	
Darla Moore School of Business	54%	13%	
Nursing	54%	15%	
Pharmacy	51%	20%	Revenue meets or exceeds expectations. Expense is 20% of budget due to increased grant/restricted fund activity as well as additional one-time unrestricted expenses incurred early in the fiscal year. Expense levels are expected to normalize as we move through the fiscal year.
Arnold School of Public Health	48%	17%	Revenue is 48% of budget due to the timing of grant/restricted fund activity. Unrestricted revenues are 65% of budget and therefore meet expectations. Expense is 17% of budget due to increased grant/restricted fund activity. Unrestricted fund expenses are 13% of budget and therefore meet expectations.
Music	57%	14%	
Social Work	43%	15%	Revenue is 43% of budget due to the timing of grant/restricted fund activity. Unrestricted revenues are 67% of budget and therefore meet expectations. Expense meets or exceeds expectations.
Academic Unit Total	52%	15%	

 Within expected threshold

 Outside expected threshold; activity found reasonable

 Outside expected threshold; to watch over next quarter

 Outside expected threshold; to complete immediate, detailed review

Budget Model

Comparison of FY23 Budget to Actuals (through 8/31/22)

Auxiliary Units

Revenue Expectations As of 8/31:

Total Revenue

Based on the following historical collection rates:

- Athletics – 15-17%
- Stud. Health – 29-32%
- Housing – 49-51%
- Parking – 40-45%

Expense Expectations As of 8/31:


Total Expense


Based on the following historical spending rates:


- Athletics – 16.7%
- Stud. Health – 16.7%
- Housing – 16.7%
- Parking – 16.7%

Unit	Revenue (Direct & Applied)	Direct Expenses, Contras, & Transfers	Notes
Athletics	13%	15%	Revenue is 13% of budget due to the timing of athletics' revenue recognition. Majority of revenues will post in Q4, however Athletics remains on track to meet Q1 expectations of 15% of budgeted revenues. Expense meets or exceeds expectations.
Student Health	29%	14%	
Housing	59%	17%	Revenue meets or exceeds expectations. Expense is 17% of budget due to additional one-time facility expenses incurred early in the fiscal year. Expense levels are expected to normalize as we move through the fiscal year.
Parking	63%	14%	
Auxiliary Unit Total	28%	16%	
Support Unit Total	35%	31%	
Pass-Through Unit Total	72%	27%	
Current Funds Total	44%	22%	

 Within expected threshold

 Outside expected threshold;
activity found reasonable

 Outside expected threshold;
to watch over next quarter

 Outside expected threshold;
to complete immediate, detailed review



ADVANCE ACADEMIC & RESEARCH MISSIONS

Carolina Enclave for Secure Research (CESR) Year 3 of 5	START 1/1/22	END —	OVERALL	BUDGET	SCOPE	RESOURC
ON HOLD						

COMMENTS

Progress on Year 3 of 5 is currently on hold due to a lack of funding. Faculty with several large projects have come forward with a need to have a secure High Performance Computing (HPC) cluster environment operational by April 2023.

Classroom Strategic Initiative Learn, Innovate, Teach, Enhance (LITE) Year 1 of 5	START 9/21/20	END 9/9/22	OVERALL 	BUDGET 	SCOPE 	RESOURC.
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COMMENTS

As of this report, 113 classrooms have been upgraded. A project change request was approved to extend the end date from 6/30 to 9/9. The funding requested for fiscal year 2022 to continue the multi-year initiative was not approved; funding has been approved to continue LITE's next year of classroom upgrades in fiscal year 2023.

Cloud Transformation Program	START 9/4/21	END 6/30/23	OVERALL 	BUDGET 	SCOPE 	RESOURC.
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COMMENTS

The scope of the Cloud Transformation Program has been reduced, resulting in an improved status. Project resources are slightly overallocated, with mitigation strategies in place. All critical applications are planned for relocation into cloud infrastructure by July 2023.

Comprehensive Campus Border Firewall	START 9/15/21	END 10/31/22	OVERALL 	BUDGET 	SCOPE 	RESOURC.
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COMMENTS

By October 31, the University of South Carolina's campuses will be segmented from each other, improving security.

High Performance Computing (HPC) Facilities	START 8/2/21	END —	OVERALL	BUDGET	SCOPE	RESOURC
ON HOLD						

COMMENTS

Project put on hold to reallocate funds to Enterprise Data Network Emergency Procurement.

High Performance Computing (HPC) Cluster	START 7/31/20	END —	OVERALL	BUDGET	SCOPE	RESOURC
ON HOLD						

COMMENTS

Project put on hold to reallocate funds to Enterprise Data Network Emergency Procurement. The end date for this project will be determined by the HPC Facilities project.



ESTABLISH UNIFIED ENTERPRISE ARCHITECTURE

	START	END	OVERALL	BUDGET	SCOPE	RESOURC.
Network Core and Firewall Upgrade	7/23/18	7/15/22				

COMMENTS The Network Core and Firewall Upgrade has been completed successfully.

	START	END	OVERALL	BUDGET	SCOPE	RESOURC.
CarolinaAnalytics Implementation Phase 3 Student Financials & General Ledger	10/26/21	3/31/23				

COMMENTS Implementation was paused 7/1/22, pending resources available in Division of Administration & Finance for training to use GL data (anticipated Spring 2023). The project's phase 3 end date has been extended to 3/31/23. Base funding remains unsecured for Phase 4: HR/Employee core data.

	START	END	OVERALL	BUDGET	SCOPE	RESOURC.
Business Impact Assessment (BIA)	8/30/21	6/30/22				

COMMENTS Audit recommended units complete a business impact analysis (BIA) to inform the disaster recovery planning (DRP) processes currently in place. Division of IT has facilitated the creation of the BIA with each unit. Division of IT has transitioned the BIA to the business units with the understanding the BIA becomes a part of annual DRP review. Project was completed 6/27/22.

	START	END	OVERALL	BUDGET	SCOPE	RESOURC.
Microsoft Security Environment	3/09/21	6/30/22				

COMMENTS This project is complete; Microsoft Defender for Endpoint, Identity, and Office 365 were successfully deployed and are now providing the university community improved protections against threats and malicious software. There will be a new demand to initiate an additional phase/project to eliminate the current cost incurred from using Duo as the enterprise multifactor authentication solution and replacing it with Microsoft Azure.

ADVANCE IT MATURITY

	START	END	OVERALL	BUDGET	SCOPE	RESOURC.
IT-as-a-Service: Div. of Admin & Finance Phase 1	1/24/22	7/29/22				

COMMENTS This project is complete. Identified staff and applications have been successfully transitioned from the Division of Admin. and Finance to Division of IT management on May 23. DoIT's IT service management system has been adopted by the support team, which enables the Division of IT to conduct a 12-month baseline measurement exercise to establish service levels for Division of Admin. and Finance's IT support.

	START	END	OVERALL	BUDGET	SCOPE	RESOURC.
IT-as-a-Service: Hub/Finance Intranet Transition	1/24/22	11/15/22				

COMMENTS Application Information Documents (AIDs) for each application have been completed and submitted to IBM/Enterprise Applications ahead of schedule.

University of South Carolina Board of Trustees						
Finance & Infrastructure Committee						
WORKING FY23 Calendar/Matrix Draft						
	Calendar Quarter >>	Q3	Q4	Retreat	Q1	Q2
	Typical Month >>	September	October	January	March	June
	Planned Date >>	9/16/2022	10/14/2022	TBD	TBD	TBD
Planned Agenda Items:	Responsible Area/Individual					
Executive Budget	CFO	✓				
Foundation Report	Foundations		X			
Endowment Report	Foundations		X			
Prior Fiscal Year End of Year Update (Includes ACFR)	CFO		X			
Current Year Budget Update	CFO (may also include AD)		X		X	
Administrative Cost Analysis (may be portal only)	CFO		X			
Administrative Unit Budget Planning Update	CFO				X	
Capital Renewal Update - Facilities	COO/University Architect	✓				
Capital Renewal Update - Utilities	COO/University Architect	✓				
Comprehensive Permanent Improvement Plan (CPIP) Update	University Architect				X	
5 Year Capital Plan Update	University Architect				X	
Debt Update (March Update is by Underwriter/ Advisor)	CFO		X		X	
IT Report (Some reports may be portal only)	CIO	✓	X		X	X
Annual Review of University Designated Funds Policy (BTRU1.14)	CFO					X
Designated Funds Approval	CFO					X
Upcoming Fiscal Year Budget Primer	CFO (may also include AD)					X
New Fee Request/Fee Revisions	CFO		None		X	X
Charter Review	Committee Chair	✓				