University of South Carolina

BOARD OF TRUSTEES

Executive Committee

April 23, 2010

The Executive Committee of the University of South Carolina Board of Trustees met on Friday, April 23, 2010, at 11:30 a.m. in the 1600 Hampton Street Board Room.

Members present were: Mr. Miles Loadholt, Chairman; Mr. Herbert C. Adams; Dr. C. Edward Floyd; Mr. Toney J. Lister; and Mr. Eugene P. Warr, Jr.

Other Trustees present were: Mr. Chuck Allen; Mr. J. Egerton Burroughs; Mr. Mark W. Buyck, Jr.; Mr. Greg Gregory; Mr. William C. Hubbard; Mr. William W. Jones, Jr.; Ms. Leah B. Moody; Mrs. Amy E. Stone; Mr. John C. von Lehe, Jr. and Mr. Othniel H. Wienges, Jr.

Others present were: President Harris Pastides; Secretary Thomas L. Stepp; Vice President for Academic Affairs and Provost Michael D. Amiridis; Vice President for Finance and Planning William T. Moore; Vice President for Student Affairs and Vice Provost for Academic Support Dennis Pruitt; Vice President of Development and Alumni Relations Michelle D. Dodenhoff; Interim Vice President for Communications and Public Affairs and Dean of the College of Mass Communications and Information Studies Charles Bierbauer; Vice Provost and Executive Dean for System Affairs and Extended University Chris P. Plyler; General Counsel Walter (Terry) H. Parham; University Treasurer Susan D. Hanna; Special Assistant to the President J. Cantey Heath; Associate Vice President for Facilities Tom Quasney; Associate Vice President for Business Affairs, Division of Finance and Planning, Helen Zeigler; Dean of USC Sumter C. Leslie Carpenter; Dean of USC Union Hugh C. Rowland; Vice Provost for Academic Affairs and the Dean of Undergraduate Studies Helen I. Doerpinghaus; Vice Provost for Faculty Development Christine W. Curtis; Associate Vice President for Resource Planning Edward L. Walton; Director of Athletics Eric C. Hyman; Director of Capital Budgets and Financing Charlie Fitzsimons; Deputy Athletics Director Marcy Girton; Chief Financial Officer, Department of Athletics, Jeff Tallant; Executive Associate Athletics Director Kevin O'Connell; Director of the Alumni Association Marsha D. Cole; Director of the Department of Internal Audit Alton McCoy; Director of Trademark and Licensing, Division of Finance and Planning, Ken Corbett; Director of Governmental and Community Relations and Legislative Liaison Shirley D. Mills; Associate Director of Governmental Affairs and Legislative Liaison Casey Martin; Chair of the Faculty Senate Robert Best; Special Assistant to the President and Athletics Director John D. Gregory; Chair of the Department of Instruction and Teacher Education, College of Education, Diane Stephens; Chairperson of the Department of

Physical Education and Athletic Training, College of Education, Karen French; Associate Professor of Instruction and Teacher Education, College of Education, Megan Burton; Associate Professor of Educational Leadership and Policies, College of Education, Zach Kelehear; wife of Chairman Miles Loadholt, Ann Loadholt; Director of Media Relations, Office of Communications, Margaret Lamb; Former President of the Student Government Association Meredith Ross; Lutheran Campus Minister, The Reverend Frank W. Anderson; University Technology Services Production Manager, Justin Johnson; and Board staff members Terri Saxon, Vera Stone, and Karen Tweedy.

Chairman Loadholt called the meeting to order and invited those present to introduce themselves. Ms. Lamb introduced members of the press who were present.

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

Chairman Loadholt stated that there were contractual matters which were appropriate for discussion in Executive Session.

Dr. Floyd moved to enter Executive Session. Mr. Warr seconded the motion. The vote was taken, and the motion carried.

Chairman Loadholt invited the following persons to remain: President Pastides, Secretary Stepp, Dr. Amiridis, Dr. Moore, Dr. Pruitt, Dean Bierbauer, Ms. Dodenhoff, Mr. Parham, Mr. Heath, Mr. Walton, Mr. Hyman, Mr. McCoy, Mr. Gregory, Ms. Mills, Mrs. Martin, and Mrs. Lamb.

Open Session

I. Contracts Valued in Excess of $250,000

A. Elsevier Contract Amendment: Chairman Loadholt called on Mr. Parham, who stated that Elsevier was a company which owned and operated an online periodical service called Science Direct to provide subscribers electronic access to a variety of science journals. For several years, the University's libraries had contracted with Elsevier.

On December 18, 2006, the Board approved a five year extension of a previous agreement at a total cost of $6,187,000. That contract would expire on December 31, 2011. In exchange for those payments, the University was granted access to approximately 620 science journals plus more than 900 other titles called the Freedom Collection. Additionally, the University received print subscription with approximately 60 titles and had the right to use those for classroom instructions. This agreement would allow online access of these journals and periodicals to all faculty, staff and students on all university campuses including the School of Medicine and Law School. This was a significant benefit for faculty and students because they could access the information from home as opposed to going to the library.

Mr. Parham stated that the amount of the original contract that the Board approved on December 18, 2006, provided that the library would pay $1,307,711.16 in year four and $1,370,346.72 in year five. However, beginning this year the library had added a few titles to the list and shifted some of the print titles over to online access only. As a result of those changes, there was an increase in the amount of $37,310 this year and $39,176 for next year for a grand total of $76,486 over the amount this board had initially approved.

Mr. Lister moved to approve the amended contract as presented. Mr. Warr seconded the motion. The vote was taken, and the motion carried.

B. Balfour Class Ring Contract: Mr. Parham reported that the proposed contract would grant to Commemorative Brands, Inc., d/b/a Balfour, the right to be the exclusive marketer and provider of University class rings and pendants.

The University currently had a contract with Balfour to provide these services which would expire June 30, 2010. A Request for Proposal (RFP) for a new contract was issued on February 15, 2010 in accordance with the South Carolina Procurement Code. Responsive proposals were submitted by Jostens, Herff-Jones, and Balfour. The proposals were evaluated and Balfour received the highest score. A proposed contract had been negotiated with Balfour, and was being presented to the Board for consideration today. He thanked Helen Ziegler who negotiated the contract on behalf of the University; and said Ms. Ziegler and Mr. Corbett were available to answer questions relative to this contract.

Mr. Parham stated that the University had a ring program under which it controlled and limited the design of USC's official men and women rings. A picture of the current official ring had been distributed in the materials for this Board meeting.

The Alumni Association oversees the ring program for the University, including the ring ceremony that is conducted each semester.

Under the current contract, for the past five years (2004 to 2009), a total of 5,570 rings had been sold, and the University had received commissions totaling $921,767. He gave the following breakdown:

2004 – 2005	1,031	$165,375
2005 - 2006	1,149	$173,625
2006 – 2007	1,101	$182,306
2007 - 2008	1,236	$191,421
2008 - 2009	1,053	$209,040
Totals	5,570	$921,767

The commission rate paid to the University for the last two years of the contract with Balfour was $130 per ring. The guaranteed commission from Balfour for FY 2009-2010 was $219,492. Revenues generated by the contract were used for student scholarships.

Under the proposed new contract with Balfour, the University would receive both a higher commission per ring sold – that being $210 per ring – and a higher guaranteed annual commission. Those guaranteed commissions would be as follows:

2010 - 2011	1,053	$221,130
2011 - 2012	1,239	$260,337
2012 - 2013	1,426	$299,565
2013 - 2014	1,613	$338,782
2014 - 2015	1,800	$378,000
Totals	7,131	$1,497,814

Ring prices would be increased by $55 per ring to better reflect market pricing.

Balfour was obligated to provide the University with a monthly detailed accounting of all rings sold, and all commissions to which the University was entitled, not later than 20 days after the end of the month in which commission was earned.

The term of the new contract was for five years beginning July 1, 2010 and ending June 30, 2015; and could be extended by mutual agreement of the parties for two additional 1-year periods. The contract could be terminated by Balfour on the anniversary date each year upon a 120-day prior notice. Pursuant to the State Procurement Code, the University could terminate the contract for cause or for convenience upon a 120-day written notice; but would have to pay reasonable termination costs.

Under the contract, the University would control the design of the ring. Balfour would be responsible for all costs associated with marketing and selling the ring. All advertising and marketing materials and any on-campus activity to sell rings would have to be approved in advance by the University.

Balfour was obligated to invest $4,000 annually in promotional giveaways to freshman in order to promote the official USC ring tradition, $5,500 annually on advertising, and $7,500 annually toward the cost of the ring ceremony itself.

In exchange for these benefits, the University would provide Balfour with the names and campus addresses of current junior and senior students (unless the student had requested that his/her information not be disclosed). This information could be used by

Balfour solely to market the USC ring. Balfour would also be granted the right to take orders for class rings and pendants on campus at pre-approved times and locations.

Dr. Floyd moved to approve the contract as presented. Mr. Adams seconded the motion. The vote was taken, and the motion carried.

C. Memorandum of Understanding "The Olde English Consortium":

Chairman Loadholt called on Mr. Parham who reported on a proposed Memorandum of Understanding (MOU) between the Office of Educational Outreach of the University of South Carolina and The Olde English Consortium, an educational collaborative founded in 1976 and consisting of school districts in Cherokee, Chester, Clover, Fort Mill, Fairfield, Lancaster, Rock Hill, Union, and York. The College of Education had contracted with this collaborative in the past.

Under these MOUs, the College of Education would assist various public school districts in South Carolina to address the critical shortage of principals and administrators at the K-12 levels by making advanced degrees more readily available to current public school teachers.

The MOU offered teachers in The Old English Consortium school districts the opportunity to earn jointly in educational specialist degrees in Educational Administration and a Doctor of Philosophy degree in Educational Leadership degree at one time. Under this MOU, the College of Education would commit to offering 11 courses (33 credit hours beyond Masters) toward the Ed.S degree and 12 courses (36 credit hours) PhD degree program jointly to qualified teachers in these particular school districts.

The courses being taught would be the exact same courses that would be offered to students who took classes on the Columbia campus. Teachers who were interested would apply to the USC graduate school and be admitted under the same criteria and subject to the same rules and regulations as the other students attending USC graduate school.

Mr. Parham stated that in exchange for our College of Education making this joint degree program available to the Consortium, the Consortium would pay the University a flat rate of $506,000 for the initial program cohort of public school teachers/students up to 20 participants in the program. The $506,000 would be paid in eight increments of $63,250 beginning September 30, 2009 and the final payment on June 1, 2013.

The University would receive the $506,000 regardless of how many of those 20 students completed the joint degree program in the four year time period. This figure did not include the initial admission application fee, change of status fees, late registration fees, matriculations fees, out-of-state tuition differential of $39 per credit hour (out-of-state certified teacher differential), which each participant would be responsible for paying directly to USC.

Additionally, the MOU would allow the Consortium to enroll up to five additional students beyond the initial 20 cohorts into this program; the cohort could not exceed 25 participants. As to the five additional students, if they complete both degrees in the four year period, the Consortium would pay the College of Education an additional program fee of $25,300 per student that completes the program. For those students that did not complete the program, the Consortium would pay the University $436 per credit hour per course completed by the students in that four year time frame. The $436 per credit hour was the certified teacher tuition rate approved by the Broad of Trustees.

Mr. Parham stated that $436 x 69 credit hours x 20 students equaled $601,680 rather than the $506,000 flat rate being charged by the College of Education; a difference of $95,680. Under the way these were done in the past, the College of Education incurred all the costs associated with these programs. They paid for facilities fees such as finding a place to teach the classes, the on-site administration and all the things associated with making these courses available. Now, the College of Education had negotiated those fees so that the school districts would pick up those fees and there was an addendum to the contract in the board packets which showed the various fees and how they were broken down. The school districts would now pay those fees as oppose to the University; therefore, the $95,680 was taken off of the $601,680 leaving a net of $506,000 flat rate.

Mr. Parham said that the first cohort of students began in fall 2009. He said in case someone was wondering why we were just talking about this issue now and the reason why this MOU was just coming to the Board was because, recently, the College of Education had been speaking with the University Sponsored Programs division and similar contracts of this nature were being handled as a sponsored program. A sponsored program was grants from an outside entity paying for the costs associated with some service being provided by the University. Under the current university policies, the Sponsored Program Office had the right to sign grants and various other items of similar nature, but it was unclear as to whether they could sign items of this nature or whether this type agreement should come through the standard procedure for contracts that needed board approval. Mr. Parham stated that there was no specific definition of what falls within this concept of sponsored programs, grants and awards and so forth. The administration would work on this and tighten up the policies so that there was not a disagreement about what could go through the department and what needed to go through administration for formal approval. In the meantime, he and President Pastides were of the opinion that this contract should be brought to the Board for approval and they would address this issue further in the future and report back to the Board as to how contracts of this nature would be handled.

Mr. Lister moved to approve the agreement as presented. Mr. Warr seconded the motion. The vote was taken, and the motion carried.

D. <u>USC Institute for Families in Society Services and Software Licensing Agreement</u>: Mr. Parham reported that the Institute for Families in Society was created in the early 1990s. The mission of the Institute today was to use interdisciplinary research and leadership as a platform to advance the science and practice of strengthening families at community, state, regional, national, and international levels.

Two years ago, the Institute received a five year $10 million grant from the South Carolina Department of Health and Human Services (DHHS) to evaluate Medicaid and the efficiency of Medicaid delivery systems in South Carolina. The Institute was in the third year of that grant.

In order to assist the Institute in its work, the Institute requested board approval to enter into a software license agreement with TierMed Systems so that it could obtain the rights to use certain software products as well as training and software support.

The term of the software contract would be two years; the contract would begin on June 1, 2010. Under the contract, the Institute would pay $143,850 the first year, and $118,850 the second year, for a total of $262,700. Annual payment would be due upon execution of the contract and on the anniversary date. The total cost for the software license would be paid by the DHHS grant, so no University funds would be used.

The software serves as a data warehouse that allows the voluminous Medicaid data that the Institute has acquired to be dumped in, and then analyzed and manipulated.

The unique feature of this software was that it included access to National Standard Quality Indicators called Healthcare Effectiveness Data and Information Set (HEDIS) measures. This data pertained to managed health care programs nationally. As a result, with the help of this software, the Institute would be able to compare South Carolina managed care programs against each other and against national programs outside South Carolina.

Ultimately, the Institute would generate reports for DHHS and the State Legislature on its analysis and evaluation of the efficiency of Medicaid delivery systems in South Carolina. These reports would be used by DHHS to determine if South Carolina citizens were being properly served by Medicaid managed programs.

Mr. Lister moved to approve the agreement as presented. Mr. Warr seconded the motion. The vote was taken, and the motion carried.

II. Capital Planning Policy: Chairman Loadholt called on Dr. Moore who stated that the University Debt policy was developed as the result of the Board Retreat in the spring of 2007 with support from a company called Lehman Brothers which was now known as Barclays, our investment bank. He said many things had changed. Therefore, it was time to update the policy to reflect changes in organization and staffing at the University as well as changes in the approach of the administration. We have now developed a proposed capital planning policy that rolls debt management and planning of debt into its umbrella. Capital planning responsibility now resides in a formal committee that reports to the President on all matters of capital investment decision-making including recommending priority. The update had the full support of Focus Carolina. The strategic plan, in fact, was one of the initiatives that arose from that planning effort. The approach was comprehensive and the committee included representation from Academic Affairs, Office of the Provost, Department of Research and Graduate Education, Student Affairs, University Housing, Athletics, the Finance and Planning Office, the Deans, and Faculty. Moreover, the committee coordinated as needed with campuses apart from Columbia on their capital needs. The proposed policy integrates capital planning with our full strategic planning effort. Also, this policy specified the 30-year capital budget that the Board had previously seen.

Dr. Moore requested that the Board discontinue policy BTRU 1.30 (Debt Policy) and instruct the administration to take steps to replace it with the Capital Planning policy which would also be called BTRU 1.30.

Mr. Adams moved to approve the Capital Planning Policy as presented. Dr. Floyd seconded the motion. The vote was taken, and the motion carried.

Mr. Jones commented that, in general, capital planning policies were the heart and soul of the University. He asked whether this was purely an administrative level process or when dramatic changes were made to the policy if it would be brought back to the Board. Dr. Moore responded that this policy did not come about lightly, but was a product of the strategic planning process which begun over a year and half ago when President Pastides took office. The intent was to make the planning process more inclusive and transparent, and more reflective of the strategic direction of the University. This was a substantial change in that the University did not have a written capital planning policy before per se.

Mr. Jones asked if there was anything in the policy that required the administration to bring the policy back to the Board on a periodic basis to update or review. Dr. Moore responded that all policies of the University fall under a protocol that they were reviewed automatically every year, and the Board of Trustees policies would always come back to this Board.

President Pastides commented that nothing relative to the Board's prerogative changed in this issue. After going through the strategic planning process, when he became President, he felt that too many capital projects were going somewhat independently from a unit up through facilities and then up to the Buildings and Grounds Committee. Between the unit and facilities we now have a more comprehensive view point so that there would be a broader contingency to be able to prioritize and understand the projects.

Secretary Stepp said this was part of the University's internal process.

Mr. von Lehe made reference to Appendix D in the policy regarding the types of debt which he said was very well written. He recommended that Secretary Stepp provide all of the new incoming Trustees with copies of the information in their packets.

III. <u>Gift of A/E Services</u>: Chairman Loadholt called on Dr. Moore who stated that on behalf of President Pastides he was privileged to ask the Board of Trustees to accept a gift from the Business Partnership Foundation of Architectural and Engineering Services from world renowned architect Rafael Vinoly for an amount not to exceed $9.750 million. Assuming the Board accepted the gift, the administration would proceed on schedule to secure the necessary state approvals with the Commission on Higher Education, the Joint

Bond Review Committee and the S. C. Budget and Control Broad.

Mr. Warr made a motion to approve a gift not to exceed $9.750 million from Rafael Vinoly. Mr. Lister seconded the motion. The vote was taken, and the motion carried.

Dr. Floyd asked what the normal architectural fee would be if the University was building a dormitory. Dr. Moore called on Mr. Quasney who responded that generally it depended on the price of the overall expected project; he estimated the fee was between six to eight percent. Generally, for all services to include studies and things of that nature it could be as much as 10 percent. Most architects charged approximately the same rates because their fee schedules had already been established. Also, their prices were usually competitive and negotiable.

IV. Parking Lease: Chairman Loadholt called on Mr. Parham who on behalf of Athletics requested board approval for a proposed Ground Lease Agreement between the University of South Carolina Athletics Department and the State Agricultural and Mechanical Society of South Carolina, d/b/a The South Carolina State Fair.

Prior to reporting on the terms and conditions of the proposed agreement, Mr. Parham gave some background information on the initial ground lease. On June 17, 1970, the University and the State Agricultural and Mechanical Society of South Carolina entered into a Ground Lease Agreement for the parking lot at the State Fair grounds. The University had acquired the right to use the parking lot on days of home football games with the exception of games that fell on days when the State Fair was in town. The term of the lease was for 40 years, beginning June 16, 1970 and ending on June 16, 2010.

Under the original lease, for the first 20 years of the lease agreement, the University paid a lease rental fee of $7,000 per game for the fairgrounds parking lot. During the last 20 years of that Ground Lease, the University paid the State Fair $8,500 per game.

Also under the original agreement, The State Agricultural Mechanical Society was responsible for cleaning up the parking lots after the games and for paying the costs of utilities associated with the use of the lot for the football games.

Under the new proposed ground lease agreement, the Athletics Department would acquire the right to use the fairgrounds parking lot, 4,074 parking spaces along with the paved areas and the grassed areas of the fairgrounds located across from Williams Brice Stadium (WBS). However, these spaces could not be used whenever football games fell on days when the State Fair was being held.

The term of the lease was five years and would expire on December 31, 2014. However, the lease provided that either party could terminate the lease in December of any year by providing written notice at that time to the opposing party. If notice was given, the lease would terminate on December 31st of that year. Assuming that neither party gives notice of termination, the Lease would run for the initial five years and could be extended for up to five successive five-year terms.

The rent would be due on or before July 15th each year.

Under the lease, the Athletics Department would pay a rental of $900,000 per year for the first three years of the lease term. Beginning in year four and thereafter and assuming that the lease was still in effect, the rent would increase by an amount that was equal to the percentage increase in the Consumer Price Index for all Urban Consumers (CPIU). In computing the percentage of the increases for rent for the succeeding years, a Base Index Number divided by the Current Index Number would be used.

Finally, the State Fair was responsible for all real estate taxes on the property. The Athletics Department was also responsible for any assessments or fees that were levied solely as a result of their use of the property. The Athletics Department was required to maintain public liability insurance and property damage insurance, for providing security and parking personnel, and for cleaning up the property after each game. The State Fair Association was responsible for all utilities.

Mr. Parham stated that Mr. Hyman and Mr. Tallant negotiated this agreement with the State Fair and were present to answer questions relative to the Lease.

Dr. Floyd moved to approve the Ground Lease Agreement as presented. Mr. Adams seconded the motion. The vote was taken, and the motion carried.

Mr. Buyck did not vote.

Since there were no other matters to come before the Executive Committee, Chairman Loadholt declared the meeting adjourned at 12:15 p.m.

Respectfully submitted,

Thomas L. Stepp
Secretary