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University of South Carolina

BOARD OF TRUSTEES

Executive Committee

February 9, 2007

The Executive Committee of the University of South Carolina Board of Trustees met on Friday, February 9, 2007, at 1:00 p.m. in the 1600 Hampton Street Board Room.

Members present were: Mr. Herbert C. Adams, Chairman; Mr. James Bradley; Dr. C. Edward Floyd; Mr. Miles Loadholt; and Mr. Michael J. Mungo. Mr. Mack I. Whittle, Jr. was absent. Other Trustees present were: Mr. Arthur S. Bahnmuller; Mr. William L. Bethea, Jr.; Mr. Mark W. Buyck, Jr.; Mr. John W. Fields; Mr. Samuel R. Foster, II; Mr. William W. Jones; Mr. Toney J. Lister; Mr. M. Wayne Staton; Mr. John C. von Lehe, Jr.; Mr. Eugene P. Warr, Jr.; and Mr. Othniel H. Wienges, Jr.

Others present were: President Andrew A. Sorensen; Secretary Thomas L. Stepp; Vice President and Chief Financial Officer Richard W. Kelly; Vice President for Advancement Brad Choate; Vice President for Student Affairs Dennis A. Pruitt; Vice President and Chief Information Officer William F. Hogue; Vice President for Human Resources Jane M. Jameson; General Counsel Walter (Terry) H. Parham; Vice Provost and Executive Dean for Regional Campuses and Continuing Education Chris P. Plyler; Dean of USC Lancaster John Catalano; Assistant Vice Provost for Academic Affairs William T. Moore; Dean of University Libraries Paul A. Willis; Director of the Thomas Cooper Library Thomas F. McNally; Executive Dean of the South Carolina College of Pharmacy Joseph T. DiPiro; Executive Director of the Carolina Alumni Association Marsha A. Cole; Associate Vice President for Student Affairs, Student Life and Development, Jerry T. Brewer; Vice Chancellor of Business & Finance, USC Aiken, Virginia S. Hudock; University Archivist Elizabeth West; Business and Finance, Temporary employee Carol P. Black; Dean of USC Sumter C. Leslie Carpenter; Dean of USC Union Hugh C. Rowland; Dean of USC Lancaster John Catalano; Professor in the College of Pharmacy and Chair of the Faculty Senate C. Eugene Reeder; USC Columbia Student Government Association President Tommy Preston; Director of Government Affairs and Legislative Liaison Johnny D. Gregory; Assistant Treasurer Susan D. Hanna; Director of the Office of University Communications, Division of University Advancement, Russ McKinney, Jr.; Board staff members Terri Saxon; Vera Stone and Karen Tweedy; and members of the media.

Chairman Adams called the meeting to order and asked Mr. McKinney to introduce members of the media who were in attendance. Chairman Adams 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 to members of the Committee; and a quorum was present to conduct business.

I. Contracts Valued In Excess of \$250,000:

A. National Advocacy Center Pendleton Street Officer Proposal:

Chairman Adams called on Mr. Parham who stated that on behalf of USC Law Enforcement Director Ernest Ellis, he was requesting board approval of a proposal between the USC Law Enforcement Support Services and the National Advocacy Center (NAC). The University would provide security services at the National Advocacy Center.

Mr. Parham stated that in 1993, the University and the U.S. Department of Justice entered into a cooperative agreement which resulted in the NAC being constructed on the Columbia campus. The University owned the facility and leased it to the Department of Justice (DOJ). Once the facility was constructed, the University and the DOJ entered into an operating agreement which outlined the duties and responsibilities of both parties during the term of the lease. The agreement had provided that the DOJ would be responsible for providing security to that facility and the exterior areas. For the past two years, the NAC personnel had the opportunity to see how well the Law Enforcement Division was constituted and operated and have seen the leadership of people in that area. Recently, they approached USC Law Enforcement and asked if they would be interested in taking over responsibility for securing the facility.

Mr. Parham stated that the agreement was an amendment to the existing operating agreement between the two parties. USC would provide law enforcement officers to patrol the area, internal and external. They would provide 24-hour coverage and officers would be assigned to work eight hour shifts, providing continuous coverage from Sunday afternoon at 4:00 p.m. until Friday afternoon at 4:00 p.m. all year long.

Mr. Parham stated that in exchange for providing these services, the DOJ would be responsible for paying all personnel and equipment costs. The total cost for Year 1 was \$406,767, for Year 2, \$337,962 and for Year 3, \$353,645. The contract would continue for additional years and the contract could be terminated with a one year advance notice in writing of their desire to terminate the relationship.

Mr. Bradley moved approval of the agreement as described in the materials distributed for the meeting. Mr. Loadholt seconded the motion. The vote was taken, and the motion carried.

A question was raised regarding liability issues. Mr. Parham responded that the University's police department had some responsibility for security because the NAC was on campus. However, there was no additional liability greater than what we currently have. The NAC would maintain some federal security within the facility regardless of the University's security. Mr. Foster made an inquiry about insurance rates. Mr. Parham stated that this agreement would have no effect on the University's insurance rates.

Mr. Bradley inquired about the descending costs over the three-year period. Mr. Parham stated that the costs were higher during the first year because of approximately \$83,650 in non-recurring equipment costs and for budgeting purposes, our estimated five percent salary increase for each year was built into the budget.

B. Sodexo Contract Amendment: Mr. Adams called on Mr. Kelly who reported that the Dining Services contract with Sodexo Management, Inc. did not include providing food service at the Roost Dormitory. Food Services had been provided at that location prior to the new contract taking effect in 2002, but were discontinued under the new contract.

Mr. Kelly stated that as an enhancement to the Athletics program, Athletics had decided that they would like to begin serving evening meals again at the Roost Sunday through Thursday evenings. Sodexo Management, Inc. would provide food for up to 200 athletes at the Roost Dining facility. Since this location was not included in the financial provisions of the remaining dining locations on campus and because it did not prove to be a profitable location for Sodexo to operate food service there previously, Athletics had negotiated a separate financial agreement with Sodexo in exchange for their willingness to re-open the Roost dining facility. The financial agreement included a guaranteed management fee of four percent; however, Athletics may be required to pay a higher annual amount to Sodexo to cover the four percent management fee since there would not be revenues from other meal plan holders at the Roost to support the operation.

Mr. Kelly stated that in the existing contract there was a profit sharing plan whereas all profits in excess of the four percent management fee would be shared with the University. Under this meal plan there should be approximately \$87,000 of new revenue generated annually. Mr. Kelly stated that most of the athletes were on meal plans and that money would be recovered as well as money from catering services, weekend meal allowances and other charges.

Mr. Kelly stated that the contract could be dissolved with a 90 day notice by either party but this amendment would run concurrent with the existing term of the 2002 contract which was for fifteen years.

Dr. Floyd moved approval of the agreement as described in the materials distributed for this meeting. Mr. Mungo seconded the motion. The vote was taken, and the motion carried.

Mr. Adams made inquiry that since the Roost and buildings in that area would be torn down in the future, would this dining facility be relocated in one of the new facilities. Mr. Kelly responded, yes.

II. Moore School of Business Graduate Program Fee Increase Request

FY 2007-2008: Mr. Adams called on Mr. Kelly who stated that the Moore School of Business had requested a ten percent increase to graduate fees effective July 1, 2007. As in prior years, the Moore School had requested early approval of graduate fees in order to provide the school adequate time to publicize the rate changes. The increase in graduate fees would be applied to newly admitted students only. The Moore School estimated that the fee increase would generate an additional \$173,661 in FY 2007-2008 and \$391,943 in the following years. Mr. Kelly stated that these additional funds were necessary to provide recurring revenue to partially offset academic expenditure increases, hire additional faculty and to reduce class sizes at the graduate level.

Mr. Kelly stated that Provost Becker and President Sorensen supported the graduate fee increases as requested and stated that the Moore School of Business had not increase graduate fees over the last three years.

Mr. Bradley moved approval of the agreement as described in the materials distributed for this meeting. Mr. Loadholt seconded the motion. The vote was taken, and the motion carried.

III. Report on University Insurance: Mr. Adams called on Mr. Kelly who gave an overview of University Insurance coverage. He stated that there were eleven different policies written for the University through the State Insurance Reserve Fund (IRF). For FY 2006-2007, the University would maintain state and commercial insurance coverage for physical assets exceeding \$1.7 billion dollars. Currently, the annual insurance premium was over \$2.3 million.

Mr. Kelly reported that the first category of insurance was Building and Personal Property. In an effort to control insurance costs, all buildings were insured at 80 percent of their appraised value. A total of forty-two claims had been filed over the past three fiscal years.

A. Inland Marine Policies: Mr. Kelly stated that the University was devoted to protecting works of art, construction and grounds equipment, field

scientific equipment, and objects that were removed from University buildings. A total of three claims had been filed in the last three fiscal years.

Mr. Kelly stated that in reviewing this information, the University had also extensively reviewed in concert with the State Insurance Reserve Fund and the Thomas Cooper Library a \$125 million value on the rare book collection. The cost associated with insuring that would be approximately \$300,000 a year. The decision collectively made was that it would be wise to put that money into protecting the books from theft and damage, additional cameras, additional security systems and fire protection systems.

Mr. Kelly stated that the Chief Risk Management Officer advised him that there was only one rare book damaged in the last 20 years. Under this policy there was a \$500,000 protection against "Loan Work." This meant that when exhibits were loaned to the University, they required the University to have insurance.

B. Electronic Data Processing Equipment Policy: Mr. Kelly stated that this policy provided coverage for the direct physical loss and damage to computer equipment, printers, fax machines, air conditioning, fire protection and electrical equipment used exclusively in data processing operations. The total value of assets insured under the Columbia campus policy was approximately \$40 million. A total of sixty-three claims had been filed in the last three fiscal years which was basically lap top computers that had been stolen.

C. Business Interruption Policy (Combined Business): Mr. Kelly stated that this policy protected the University from actual financial losses associated with business income and/or extra expenses due to the necessary suspension of operations caused by direct physical loss of, or damage to, covered property. Business Interruption insurance was currently maintained for revenue generated within the USC Columbia Housing Department. The University carried a business interruption policy because of the Student Housing. Mr. Bradley had requested that the University be protected on its indebtedness in the event the University should lose a facility. Mr. Kelly stated that the University also had property insurance that provided the value associated with our facilities.

D. Building Risk Policy: Mr. Kelly stated that for Fiscal year 2006-2007, the total value of building risk assets insured for all campuses was \$94,235,477. The Building Risk policy protected the University from financial losses associated with the direct physical loss of or damage to new structures during the building process and to existing structures undergoing substantial renovation.

E. Automobile Liability and physical Damage: Mr. Kelly stated that this policy covered all University vehicles. Currently, there were approximately

420 vehicles. The liability policy provided coverage for bodily injury claims caused from the operation and maintenance of all University vehicles. The Physical Damage policy provided financial loss protection for physical property damage losses caused from the University's operation of select automobiles.

F. General Tort Liability: Mr. Kelly stated that this policy carried a \$1,000,000 coverage limit and provided financial loss protection for the University, its employees, and volunteers who may be held legally liable to third parties who were injured or killed as a result of actual or alleged negligence while in the performance of assigned job duties.

Mr. Loadholt expressed concern that the \$1,000,000 coverage limit seemed rather low to him given the fact that the University engaged in out-of-state activities and he asked that this amount of coverage be reviewed. Mr. Kelly responded that he would review this issue with the Legal Department and adjustments would be made accordingly.

G. Medical Professional Liability: Mr. Kelly stated that this policy was maintained to mitigate potential financial losses related to the delivery of medical services by University personnel. The Medical Liability policy was divided into two separate coverage categories with the following limits: Non-Physicians, \$300,000/\$600,000 per occurrence, with no aggregate; and Physicians, \$1,200,000/\$1,200,000 per occurrence, with no aggregate. No claims had been filed in the last three fiscal years.

H. Non-Paid Students Worker's Compensation: Mr. Kelly stated that the University purchased Workers' Compensation benefits for its employees through the State Accident Fund (SAF). Risk Management reports information to the SAF related to all non-paid student interns who were performing work as part of their degree program and who were not covered under the Human Resources policy; many interns worked in facilities at no cost and the University provides this coverage for non paid student workers. The total premium cost for all campuses was \$77,808 for FY 2006-07.

I. Aircraft Liability and Hull: Mr. Kelly stated that this policy was currently held through Global Aerospace, Inc. and was managed by the IRF. For FY 2006-2007, the total value of assets insured under the Columbia campus policy was \$1.1 million with a total premium cost of \$17,740. The Liability policy consisted of ten separate coverage classifications with varying coverage limits. The Physical Damage coverage consisted of two coverage classifications with varying coverage limits. Currently, the University maintained coverage for a single aircraft owned by the Athletics Department.

J. Employee Fidelity Bond: Mr. Kelly stated that this policy contained a \$50,000 deductible with a \$500,000 coverage limit. The total premium cost for all campuses was \$6,956. This policy provided blanket coverage for all University employees against employee theft, forgery or alteration, robbery or safe burglary, computer fraud and losses from the accepting counterfeit paper currency.

Mr. Kelly stated that during the Fiscal Policy Committee meeting several months ago, the auditors had mentioned that the University was significantly underinsured at the South Caroliniana Library. As a result of that audit finding, it was determined that all library contents be reviewed. He stated that the majority of the Law School Library books were covered, however, there was \$800,000 worth of rare books in the law library that were not covered and it was determined that it would not be cost effective to insure them because they could not be replaced. Mr. Kelly stated that the Thomas Cooper Library had \$125 million worth of rare books and the Carolinian Library had \$30 million.

Chairman Adams stated that this report was received for information.

Since there were no other matters to come before the Committee, Chairman Adams declared the meeting adjourned at 1:30 p.m.

Respectfully submitted,

Thomas L. Stepp
Secretary