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University of South Carolina

BOARD OF TRUSTEES

Executive Committee

April 20, 2006

The Executive Committee of the University of South Carolina Board of Trustees met on Thursday, April 20, 2006, at 11:00 a.m. in the 1600 Hampton Street Board Room.

Members present were: Mr. Herbert C. Adams, Chairman; Mr. James Bradley; Mr. Miles Loadholt; Mr. Michael J. Mungo; Mr. Mack I. Whittle, Jr. Dr. C. Edward Floyd was absent. Other Trustees present were: Mr. Arthur S. Bahnmuller; Mr. Mark W. Buyck, Jr.; Mr. John W. Fields; Mr. William C. Hubbard; Mr. William W. Jones, Jr.; Mr. Toney J. Lister; Ms. Rita M. McKinney; Ms. Darla D. Moore; 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; Executive Vice President for Academic Affairs and Provost Mark P. Becker; Vice President and Chief Financial Officer Richard W. Kelly; Vice President for Research and Health Sciences Harris Pastides; Vice President for Information Technology and Chief Information Officer William F. Hogue; Vice President for Human Resources Jane M. Jameson; Vice President for Student Affairs Dennis A. Pruitt; General Counsel Walter (Terry) H. Parham; Vice Provost and Executive Dean for Regional Campuses and Continuing Education Chris P. Plyler; Chancellor of USC Aiken Thomas L. Hallman; Chancellor of USC Beaufort Jane T. Upshaw; Chancellor of USC Upstate John C. Stockwell; Dean of USC Lancaster John Catalano; Dean of University Libraries Paul A. Willis; Vice Chancellor for Business and Finance, USC Aiken, Virginia S. Hudock; Executive Vice Chancellor for Academic Affairs, USC Aiken, Suzanne Ozment; Executive Director, Office of Foundations, Susie H. VanHuss; Assistant Vice President for Development Michelle D. Dodenhoff; Director for Financing and Reporting, Office of the Controller, John H. Campbell; Director of the Budget Office Leslie Brunelli; Director of Periodicals, University Publications, Chris Horn; Student Government Association President Tommy Preston; Director of Special Collections, Thomas Cooper Library, and Professor in the Department of English, Patrick G. Scott; Bond Counsel, Haynesworth Sinkler Boyd PA, Eric Shytle; Heather Mitchell of The Boudreaux Group; Stuart Dawson of Sasaki, Associates, Inc.; Student Assistant in the Division of Business and Finance Scott

Spivey; Religious Counselor, Hillel Jewish Counsellorship, Bernard Friedman, Public Information Officer, Office of Media Relations, Karen Petit; Director of University Communications, Division of University Advancement, Russ McKinney, Jr.; 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.

Open Session

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

A. Trend Micro Incorporated: Chairman Adams called on Mr. Parham who stated that this contract was a license agreement between the University and Trend Micro Incorporated. Under this agreement the University would receive access to anti-virus software and spyware protection for up to 45,000 computers, 85,000 email accounts for faculty, staff and students in the USC system and standard computer maintenance. In addition, this software would replace the McAfee anti-virus software that the University was currently licensed to use and had been using for the past five years; this license agreement would soon expire.

Mr. Parham stated that, following the advice of Dr. Hogue, the University had decided to change to Trend Micro software for several reasons. First, the University was not completely satisfied with the support that McAfee had been providing. Secondly, the University was in the process of changing its email system from Groupwise to Microsoft Exchange. Dr. Hogue's office had consulted with a number of experts in the software field and a determination was made that Trend Micro was more compatible with Microsoft Exchange. In addition, Microsoft software offered better spyware protection.

The term of the license agreement would extend five years and would begin on the date the contract was executed at a cost of \$424,000 and payable as follows: \$352,600 upon the execution of the agreement and \$17,850 on the anniversary date of the agreement for the next four years. Dr. Hogue would pay for these licensing fees through his existing University Technology budget.

Mr. Bradley moved approval of the contract with Trend Micro Incorporated as presented and as distributed in the materials for this meeting. Mr. Loadholt seconded the motion. The vote was taken, and the motion carried.

B. Purchase of John Milton Collection: Chairman Adams called on Mr. Parham to brief the Committee about the contract. Secretary Stepp stated that the

item was on a previous Board agenda; however, due to the illness of one of the parties, it had been deferred until this meeting.

Mr. Parham reported that on behalf of Dean Willis and with the approval of President Sorensen, the Administration was seeking Board approval to purchase a significant collection of materials of poet and writer, John Milton. The collection was currently owned by Dr. Robert J. Wickenheiser. Dr. Wickenheiser had earned several degrees in English Literature and was the former President of St. Bonaventure. Mr. Parham stated that the Dr. Wickenheiser collection included some early additions of Mr. Milton's work, original illustrations, catalogues, artwork and other objects relating to Mr. Milton. A complete inventory of the materials to be purchased had been prepared and was attached to the purchase and sale agreement which would be executed upon approval of the Board. The University would take possession of the collection on or before June 30, 2006 and would be known as the "Robert J. Wickenheiser Collection of John Milton." The collection would be housed in the William L. Richter Seminar Room, a Special Collections wing of Thomas Cooper Library.

The William L. Richter Foundation had agreed to donate \$500,000 toward the \$1,000,000 purchase price of the collection payable as follows: the first payment of \$200,000 will be made on or before July 31, 2006; the second payment of \$200,000 on or before January 31, 2007; the third payment of \$200,000 shall be made on or before January 31, 2009; and the final payment of \$200,000 on or before January 31, 2010.

In addition, as part of this transaction, Dr. Wickenheiser was asked to prepare an illustrated descriptive catalogue of the collection for possible publication by University Libraries. The catalogue would be instrumental in assisting researchers and others who would have access to these voluminous materials.

In exchange for preparing the catalogue, the Library would pay to Dr. Wickenheiser the sum of \$100,000 payable as follows: \$10,000 on the execution of the contract; the second payment of \$10,000 on or before January 31, 2007; \$10,000 on or before January 31, 2008; and the final payment of \$70,000 would be payable on or before April 1, 2009.

Mr. Mungo asked the manner in which the value of this collection had been determined. President Sorensen responded that the University had asked Christie's Auction House from New York City to appraise the collection. In addition, he believed that Mr. Richter would be willing to pay the entire amount if the University demonstrated good stewardship toward the collected works.

Mr. Bradley asked if there were other bidders. President Sorensen responded that if he was willing to disaggregate the collection a volume at a time on e-bay,

Dr. Wickenheiser would receive substantially more. Because he was a scholar he wished to keep these works intact preferably at a university whose library would revere the collection and make it accessible. Dr. Sorensen stated that Professor Matthew Bruccoli, Curator of University Libraries, and Dr. Patrick Scott, Director of Special Collections, realized that this would be a real jewel in the University collection.

Mr. Whittle stated that Christie's held an annual auction where such items were exclusively sold; they were very much in demand. Also, this was an opportunity to make it part of a public collection as opposed to a private one.

Chairman Adams called for a motion to approve the purchase of the John Milton Collection as presented and as mailed in the materials distributed for the meeting. Mr. Whittle so moved. Mr. Loadholt seconded the motion. The vote was taken, and the motion carried.

C. Coca Cola Bottling Company: Chairman Adams called on Mr. Kelly who reported that the University had two soft drink vending contracts, one of which had "pouring rights" attached to it. One contract was for the core University itself and the other was for Athletics.

Mr. Kelly stated that there were two reasons he was bringing this issue before the Board today: 1) the current contract with Pepsi Bottling Company would expire on June 30, 2006 and, 2) the Coca Cola contract with Athletics would expire in five years and one month. The University had issued a Request for Proposal (RFP) for awarding a new five year contract for this service and had received proposals from both Pepsi Bottling Group (Pepsi) and Coca Cola Bottling Company Consolidated (Coke); Mr. Kelly recommended Coca Cola as the vendor.

One of the options requested in the RFP was a commission of \$412,000 a year; Coca Cola had guaranteed the full amount. Mr. Kelly stated that a portion of the revenues was used for scholarship funding. In addition, the administration wanted the opportunity to advance the Card Reading System. He noted that the University was moving toward the use of the USC identification card as a debit card. Currently, approximately 36 campus vending machines were equipped with Carolina Card Reading devices; under the proposed contract, Coca Cola will expand that number to a total of 120 machines at a vendor cost of \$1,500 per machine.

The University conducted a comparison study of commission rates at Georgia, North Carolina, Florida, Kentucky, Louisiana State University, Arkansas and Clemson. With the exception of North Carolina, the other schools were receiving 62 percent and USC received 60 percent. However, Carolina would receive an additional 12 percent commission rate above \$412,000 when that amount had been achieved during

the year. Over a five year period, that figure could exceed an additional \$100,000 in revenue from the vendor.

Benefits included the fact that the University would receive the guaranteed commission rate; would have the ability to work toward merging the two vending contracts on this campus; and in approximately five years would have more machines that would accept the card readers.

Mr. Mungo commented that there had been a lot of press recently from the federal government and other sources regarding the obesity problem in this country. It was believed that offering regular soft drinks to children in school may lead to a lifetime habit. The consumption of soft drinks was considered one of the major causes of obesity in adults or a heavy contributor toward that condition. He suggested that the medical school conduct an analysis of this problem and have the vending machines reflect that study. And, if 50 to 60 percent of the drinks in the vending machines were sugar free, it would be less convenient for students to get extra calories.

Mr. Mungo stated that the University had a health and public responsibility because "college kids don't read health reports." President Sorensen responded that he was also concerned about the health of students. He stated that he, Dr. Pastides, Provost Becker and Dr. Pruitt had been working together to develop a public health goal for the entire campus which would address the food served at the Russell House; the items that were available in vending machines; and the promotion of walking or riding bikes on campus as opposed to driving cars.

Dr. Pruitt stated that the University had hired an Executive Director for the Healthy Carolina 2010 campaign, a campus-wide initiative to improve the health of students, faculty and staff. This program would include everything described above as well as a no smoking campus; already in place was a no smoking policy in the residence halls. Students would undergo a health assessment when they arrived on campus which would help them determine life style changes they needed to make to grow spiritually, mentally and physically.

The goal was to create a model program for other colleges and universities to use. Currently, the University had invested \$150,000 to initiate this program and was researching the possibility of grant funding. An overwhelming number of faculty, staff and students had expressed interest in participating in the program.

Chairman Adams called for a motion to approve the Coca Cola contract as mailed in the materials for this meeting. Mr. Bradley so moved. Mr. Loadholt seconded the motion. The vote was taken, and the motion carried.

Mr. Bradley asked Mr. Kelly to compare the Pepsi and Coke contracts.

Mr. Kelly stated that the Pepsi Bottling Company, Inc. contract paid a commission on gross sales revenues of 50 percent or \$350,000 annually, whichever was greater. Whereas the Coke contract commission was 70.5 percent of gross revenues after sales taxes on all beverages except isotonic sports drinks which paid a commission on gross sales revenues of 50 percent or \$350,000 annually, whichever was greater. In addition, Mr. Kelly stated Pepsi did not guarantee a yearly commission total as did Coke. And, finally, there was an increase in the number of card reading devices from 36 with Pepsi to 120 with Coke. After reviewing the previous five years of revenue totals from the Pepsi vending contract, it was determined that the University had received slightly less than \$400,000 per year; therefore, the Coke proposal was the most advantageous.

Mr. Kelly introduced Mr. Scott Spivey, an Honors College student in the Moore School of Business and Student Body Senator, who was working in the Business and Finance Office. Mr. Spivey had specifically assisted Ms. Helen Zeigler with the Coke contract. Mr. Kelly thanked him publicly for his contributions during this process.

II. USC Aiken First PACE (Preparing for Academic Excellence) Summer Program

Fixed Tuition Fee Request: Chairman Adams called on Chancellor Hallman who reported that as admissions standards were raised at USC Aiken, they continued to encounter a number of students who needed an opportunity to make a better transition from high school to college; this program was aimed at doing just that. During the summer, USC Aiken would teach English 101 and developmental programs about study habits and class preparation. It was believed that the University could improve retention rates as well as the performance of incoming students if this pilot program was used.

USC Aiken had proposed a unique tuition rate because typically financial aid opportunities were not available to students in the summer. The program had been advertised tentatively at this rate, pending Board approval, and 15 students had already indicated interest.

Mr. Loadholt moved approval of the program as presented and distributed in the materials for the meeting. Mr. Mungo seconded the motion. The vote was taken, and the motion carried.

Mr. Mungo asked the cost of the program and if USC Aiken would break even. Chancellor Hallman responded that the cost was \$569 per student for one 3-hour credit course. The cost for the total package to include tuition and housing was \$954. Those amounts covered the instructional costs, the costs of the support programs and a small amount of overhead.

Ms. Moore expressed concern about the fact that this program merely offered remedial training. "What is our responsibility as the University to help the K-12 people whether they are in Aiken or in Florence to let these kids know what's expected of them when they get to the University or wherever they are going? There are so many kids in the state who don't know what is expected in part because we don't communicate to the K-12 people what it is they have to be able to do when they get here."

Chancellor Hallman stated that Ms. Moore had raised a very valid point. He further explained that the program was only available to individuals who had satisfactorily met the University's full admission standards. The delivery of English 101 during the summer would replicate the coursework as offered any other time. However, it was the services beyond the classroom which made the summer course slightly different.

Chancellor Hallman pointed out that many students following high school graduation were not fully aware of college level expectations. Basically, this summer course provided an opportunity to define better those expectations. If it proved successful the University would find other venues of delivery to incoming students. The goal was to improve retention rates which ultimately affected institutional ranking.

Chancellor Hallman further commented that USC Aiken maintained a positive relationship with the Aiken County public schools; held frequent meetings with the administration; and routinely received feedback from the Ruth Patrick Science Education Center which had contact with 18 school districts in the central Savannah River area.

Mr. Wienges asked whether technical schools across the state offered a similar course. Chancellor Hallman responded that technical schools did offer a course similar to English 101 but not the concomitant support services.

Chairman Adams stated that this was an opportunity for the Board to observe the success of the USC Aiken program and its benefits; hopefully, it would lead to a program that could be recommended and expanded to other USC campuses.

In response to Mr. Wienges inquiry about enrollment for the coming fall, Chancellor Hallman indicated that USC Aiken would experience an increase, unlike the previous year's slight decrease.

Mr. Mungo asked Chancellor Hallman to present a report to the Board following the conclusion of the summer program. Chairman Adams asked Secretary Stepp to note this request.

Mr. Hubbard expressed concern about whether colleges and universities in general had lowered standards or expectations regarding core competencies students

must achieve. He had indicated to Dr. Becker that the University should have a study group to evaluate that issue in order to ensure that as students were admitted without certain basic competencies that the University did not "dumb down" the curriculum to accommodate them. He requested a report on the efforts that Chancellor Hallman had undertaken to ensure that the University raised the expectations of what was required to earn a degree from USC.

Mr. Mungo suggested the possibility of the University's requiring all freshmen to pass a comprehensive communication test before moving into their sophomore year.

Chancellor Hallman stated that, several years ago, the state had removed USC Aiken from the remedial business in math and education. In addition, USC Aiken had reduced the size of the English Composition class to 18. There was a Junior Writing portfolio requirement so that all students, whether they took English 101 at USC Aiken or transferred in, had to present five examples of their writing across their career. This was read by three faculty members who determined whether they were sufficiently able to communicate or not. If they were not, there was a course that they were required to complete in order to demonstrate that competency.

In response to Mr. Hubbard's and Mr. Mungo's concerns, USC Aiken would at a future meeting or a retreat present both a report on progression standards that do exist as well as on retention efforts to improve academic performance and retention. President Sorensen requested that Dr. Becker give such a report at the next full Board meeting. In addition, he indicated that USC was doing enormously more than four years ago to reach out to the K-12 schools in the state. He asked that Dr. Becker include a system wide overview of these collaborative efforts.

III. State Institution Bond Resolution: Chairman Adams called on Mr. Kelly who reported on the State Institution Bond Resolution authorizing up to \$58 million for the construction and renovation of the projects on the Aiken, Upstate and Columbia Campuses. He stated that the total was more accurately \$56.5 million. There were two additions in this particular resolution: the University was also funding \$6.9 million for work at USC Aiken previously approved by the Board and \$10.8 million for work at Upstate.

Chairman Adams called for a motion to approve the Bond Resolution as presented and distributed in the materials for this meeting. Mr. Bradley so moved. Mr. Mungo seconded the motion. The vote was taken, and the motion carried.

Mr. Mungo inquired about the University's rating. Mr. Kelly responded that the University had an AA3; there were only 19 public institutions in this country that were rated higher than the University.

Mr. Eric Shytle, Bond Counsel, stated that this bond was a 20-year note and that they had used conservative assumptions in structuring it. The blue book AAA rate was now 4.61 percent for 20 years. However, the University would get a lesser rate because several maturities had reached 20 years. Therefore, if the University would bid today the rate would be 4.5 percent.

IV. Other Matters: Chairman Adams stated that he was appointing an Ad Hoc Committee to review the Board of Trustees Bylaws and policies and procedures as they related to the awarding of honorary degrees and any other matters that would come from this committee. The committee would consist of Mr. Loadholt as Chair, Mr. Lister, Mr. von Lehe, Dr. Reeder as Faculty representative, Secretary Stepp representing the staff and Board and the President of the Alumni Association. On July 1, Mr. William Bethea, as incoming President of the Alumni Association, would assume that position on the Committee.

Chairman Adams invited Board members to communicate their ideas and concerns on any matters relating to these issues to Secretary Stepp so that, as this committee moved forward, their input would be included in the report that would be presented to the Executive Committee.

Mr. Whittle recommended that the committee review bylaws from other schools that the University would want to emulate in preparation of the report.

Since there were no other matters to come before the Committee, Chairman Adams declared the meeting adjourned 11:30 a.m.

Respectfully submitted,

Thomas L. Stepp
Secretary