

The official minutes of the University of South Carolina Board of Trustees are maintained by the Secretary of the Board. Certified copies of minutes may be requested by contacting the Board of Trustees' Office at trustees@sc.edu. Electronic or other copies of original minutes are not official Board of Trustees' documents.

University of South Carolina  
BOARD OF TRUSTEES

Executive Committee

June 17, 2011

The Executive Committee of the University of South Carolina Board of Trustees met on Friday, June 17, 2011, at 3:05 p.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; Mr. John C. von Lehe, Jr.; and Mr. Eugene P. Warr, Jr.

Other Trustees present were: Mr. Chuck Allen; Mr. J. Egerton Burroughs; Mr. W. Lee Bussell, Sr.; Mr. Mark W. Buyck, Jr.; Mr. Thomas C. Cofield; Mr. William C. Hubbard; Mr. William W. Jones, Jr.; Mr. Hugh F. Mobley; Dr. C. Dorn Smith, III; Mr. Mack I. Whittle, Jr.; and Mr. Charles H. Williams.

Others present were: President Harris Pastides; Secretary Thomas L. Stepp; Vice President for Academic Affairs and Provost Michael D. Amiridis; Vice President of Development and Alumni Relations Michelle D. Dodenhoff; Vice President for Information Technology and Chief Information Officer William F. Hogue; Chief Financial Officer Edward L. Walton; Associate Vice President for Finance and Budget Director, Division of Finance and Planning, Leslie Brunelli; Vice President for Human Resources Chris Byrd; Vice Provost and Executive Dean for Extended Campus Chris P. Plyler; Assistant Provost for Academic Programs Kris H. Finnigan; General Counsel Walter (Terry) H. Parham; University Treasurer Susan D. Hanna; Special Assistant to the President J. Cantey Heath, Jr.; Senior Vice Provost Christine W. Curtis; Chancellor of USC Aiken Thomas L. Hallman; Chancellor of USC Beaufort Jane T. Upshaw; Chancellor of USC Upstate John C. Stockwell; Chancellor-Elect of USC Upstate Thomas L. Moore; Vice Chancellor for Business and Finance, USC Aiken, Ginger S. Hudock; Campus Dean of the South Carolina College of Pharmacy Randall C. Rowen; Dean of USC Sumter C. Leslie Carpenter; Dean of the College of Arts and Sciences Mary Anne Fitzpatrick; Associate Vice President for Business Affairs, Finance and Planning Division, Helen T. Zeigler; Chief Financial Officer, Department of Athletics, Jeff Tallant; Executive Associate Athletics Director Kevin O'Connell; Associate Athletics Director Marcy Girton; Director of Capital Budgets and Financing, Division of Finance and Planning, Charlie Fitzsimons; Director of Accounting, Controller's Office, Mary T. Peak; Associate Vice President for Finance and Personnel, Division of Student Affairs, Stacey Bradley; Chair of the Faculty Senate Patrick D. Nolan; Director of Governmental and Community Relations and Legislative Liaison Shirley D. Mills; Director of Media Relations, Office of Communications, Margaret Lamb; University Technology Services Production Manager, Justin Johnson; Board staff members Barbara Salmons, Terri Saxon, and Vera Stone; and members of the press.

Chairman Loadholt called the meeting to order and suspended Board introductions.

Mrs. 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 personnel and contractual matters which were appropriate for discussion in Executive Session. Mr. Adams moved to enter Executive Session. Mr. Lister 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, Mr. Walton, Mr. Byrd, Ms. Lawrence, Ms. Dodenhoff, Mr. Parham, Ms. Brunelli, Dr. Hogue, Dr. Plyler, University Chancellors, Chancellor-Elect Moore; Mrs. Hanna, Dr. Curtis, Mr. Heath, Ms. Mills, and Mrs. Lamb.

Return to Open Session

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

A. Coca Cola Vending Contract: Chairman Loadholt called on Mr. Parham who presented a proposed drink vending contract between the University and Coca Cola Bottling Company Consolidated. The current five-year contract would expire July 30, 2011.

This contract was the result of a competitive solicitation issued in February 2011 in accordance with the South Carolina Consolidated Procurement Code.

The proposed contract would cover the USC Columbia campus (with the exception of Athletics facilities) and Beaufort, Lancaster and Union campuses.

The contract granted Coca Cola the exclusive right to provide drink vending services, specifically, drink machines - for soft drinks, isotonic sports drinks, juices and other types of beverages, and the non-exclusive right to vend water. The University had the exclusive right to select the flavors or types of products to be vended.

Coca Cola would provide only state-of-the-art vending machines for the Columbia campus, and would provide the same number of machines in the same locations as were currently in place. New locations must be approved by the University.

Prices for products were to be the same as currently charged. Coca Cola could not raise prices without the prior approval of the University. Coca Cola was also responsible for providing refunds to customers.

Mr. Parham stated that the term of the contract was approximately seven years beginning August 1, 2011 and terminating June 30, 2018.

The University could terminate the contract for cause. The University could also terminate the contract at any time for convenience upon 60 days advanced written notice. In such event, the University was only responsible for reimbursing Coca Cola for the unamortized amount of the investment made in purchasing card readers on the machines, but only if this equipment could not be utilized by Coca Cola on other accounts. If the University paid the unamortized investment on any such equipment, that equipment became the property of the University.

The contract provides expressly that the University was not responsible for any loss, damage or destruction to or of the machines or its products.

In order to protect the University, Coca Cola was required to maintain, at its expense, Commercial General Liability Insurance of \$2 million limits (for bodily injury and property damage), and Automobile Public Liability Insurance of \$2 million for bodily injury and property damage.

Additionally, the contract provided that Coca Cola agreed to indemnify and hold the University harmless for all claims, losses or liabilities for personal injury or property damage incurred by any party as a result of the services and equipment Coca Cola provided pursuant to the agreement.

Coca Cola guaranteed the University a commission on each product sold, as follows:

For Columbia, the commission was:

- 65 percent of gross revenues from sales of bottled drinks, water and juice;
- 50 percent of gross revenues on canned drinks and isotonic sports drinks;
- 25 percent of gross revenues on energy drinks and other specialty beverages;

For Beaufort, the commission was:

- 60 percent of gross revenues from sales of bottled drinks;
- 50 percent of gross revenues from canned drinks, water, isotonic sports drinks and juice;
- 25 percent of gross revenues on energy drinks and other specialty beverages;

For Lancaster, the commission was:

- 60 percent of gross revenues from sales of bottled drinks, juice and water;
- 0 percent of gross revenues from canned drinks, and isotonic sports drinks;
- 25 percent of gross revenues on energy drinks and other specialty beverages;

For Union, the commission was:

- 50 percent of gross revenues from sales of bottled drinks, canned drinks, water, juice and isotonic sports drinks; and
- 25 percent of gross revenues on energy drinks and other specialty beverages.

Commissions would be transferred electronically to the University account for each campus on a monthly basis, along with a detailed accounting of sales by vending machine and product type, and a breakdown on cash sales vs. CarolinaCard sales (CarolinaCard sales would be tracked by the University, and the University would remit to Coca Cola monthly the amount of such sales, less a three percent transaction fee.)

Additionally, Coca Cola guaranteed that the University would receive minimum revenue of \$465,000 for each year of the contract term. This was approximately \$3,216,250 guarantee over the approximate seven year term of the contract.

At the end of each contract year, if the commissions generated by product sales did not total \$465,000, Coca Cola would remit the difference to the University by July 15<sup>th</sup> of that year.

Mr. Parham noted that under the University's current contract with Coke, the annual guarantee was \$412,000 per year; therefore, the guarantee had been increased by the sum of \$53,000 per year.

Finally, the contract required Coca Cola to provide USC Columbia 400 cases of donated products each year for use in student and campus related activities.

Mr. Parham noted that Helen Ziegler had shepherded this contract through the procurement code and was responsible for the favorable financial terms.

Mr. Warr moved approval of the agreement as presented and distributed. Mr. von Lehe seconded the motion. The vote was taken and the motion carried.

B. Beaufort County School District: Mr. Parham reported that the

University was seeking committee approval of a Memorandum of Understanding between the College of Education and Beaufort County School District. This committee had approved several MOU's between the College of Education and various South Carolina school districts in the past.

The current MOU was a continuation of the College of Education's efforts to help improve the quality of teaching instruction in K - 12 schools in South Carolina by making an M.Ed. in Teaching degree more readily available to South Carolina public school teachers.

Under this MOU, the College of Education was offering the 12 course/36 credit hour M.Ed. in Teaching degree program, with emphasis on Mathematics Education or Science Education, to qualified teachers in the Beaufort County School District. The courses would be offered through a blended learning program using mostly on-line instruction with some face-to-face instruction. The courses being taught would be the same as those taught on campus.

Beaufort County teachers interested in participating in the program must apply to the USC Graduate School and be admitted based on the same applicable admissions criteria. Also, they were subject to all USC and Graduate School rules and regulations.

In exchange for the College of Education making this degree program available to the Beaufort County School District, Beaufort agreed to pay USC a flat fee of \$760,320 for a cohort of up to 64 participants in the program. The cohort must complete the program in two years. The \$760,320 represented a per credit hour charge of \$396, which was the resident certified teacher tuition rate set by the Board of Trustees.

Mr. Parham stated that Dr. Ed Dickey, Director of the College of Education Office of Extended Opportunities, was available to answer questions.

The College of Education would use existing faculty to teach the classes, or would hire adjunct (contract) faculty as necessary. The College estimated that the amount paid by Beaufort County School District under this contract would exceed the College of Education's costs associated with providing this program by approximately 40 percent. These funds were received and taxed by the University before being distributed to the College. The College used these additional funds to hire graduate assistants; provide travel funds for faculty to attend professional conferences, etc.

Finally, the Board of Trustees had approved a certified teacher tuition rate that was 20 percent less than standard tuition rates.

Mr. Adams moved approval of the agreement as presented and distributed. Mr. Lister seconded the motion. The vote was taken and the motion carried.

C. South Carolina Electric and Gas: Mr. Parham reported that on February 4, 2011, the Building and Grounds Committee had approved the electrical upgrade project at Williams Brice Stadium (WBS). That project involved upgrading incoming power feeds to the stadium and changing out transformers. The purpose of the project was to

ensure that the electrical system at the stadium was sufficient to handle football games.

For board consideration today was the actual contract with SCE&G to effectuate what the board had already approved.

Pursuant to the contract, SCE&G was replacing the existing power substation (two old 1500 KVA transformers) with two new 2000 KVA transformers which would increase the electrical capacity at the stadium. In addition, Athletics was putting in a backup system of two additional 2000 KVA transformers to ensure system liability.

Athletics would pay a one-time fee of \$171,936.50 to offset SCE&G's upfront cost to provide two redundant, 2000 KVA backup transformers. In addition, Athletics would pay an excess facility fee of \$1,719.37 per month (one percent of redundant system) for SCE&G's excess expense to own, operate and maintain the equipment.

Dr. Floyd moved approval of the agreement as presented and distributed. Mr. Adams seconded the motion. The vote was taken and the motion carried.

D. SunGard: Mr. Parham reported that the Division of Law Enforcement and Safety was seeking board approval to purchase a comprehensive law enforcement operations and administration records management software package from SunGard Public Sector, Inc. SunGard Public Sector was a component of the larger SunGard Higher Education, Inc. that was currently implementing the OneCarolina system on campus.

The SunGard software was chosen after careful evaluation of comparable law enforcement records management software products through a Request for Qualifications issued in accordance with the South Carolina Consolidated Procurement Code. SunGard was one of the main law enforcement management software vendors in the Southeast, with successful installations at many large universities. The software was also being used by other regional law enforcement agencies such as the Lexington County Sheriff's Department and the Charleston City Police Department.

The software was needed because the current records management system installed at the Division of Law Enforcement and Safety was no longer supported by and did not interface with the State Law Enforcement Division (SLED), and did not function properly or address the needs of the Division.

The term of the agreement was for five years.

The Division of Law Enforcement and Safety would pay a one-time license and service fee of approximately \$196,145 (License -\$73,918; Service -\$122,227) plus an annual maintenance fee of \$30,463 beginning in the second year of the agreement. The total cost for the Division over the five year period was approximately \$317,997. The total amount may vary slightly depending on the service fees, which included installation fees and training fees. The fee included all upgrades to the software during the contract term.

This amount would be paid from the Division's operating funds. Mr. Parham reported that license and maintenance fees were due upon execution of the agreement. Hardware, software and services (implementation, training) fees were due upon invoice from SunGard.

Mr. Parham advised that Law Enforcement currently paid a comparable amount for the

existing records management software system that it was replacing.

Mr. Warr moved approval of the agreement as presented and distributed. Mr. Lister seconded the motion. The vote was taken and the motion carried.

Mr. von Lehe and Mr. Loadholt recused themselves from voting.

E. W. Graham Arader Agreement: Mr. Parham reported that on behalf of University Libraries, Dean Tom McNally was seeking Board approval of an agreement with Mr. W. Graham Arader, III.

Mr. Arader, who received his undergraduate degree from Yale in economics in 1972, was a largest and significant dealer of rare maps, prints and natural history watercolors. He established his business in 1974 and had galleries in such places as Philadelphia, New York, San Francisco, Houston and Denver. Mr. Arader was known for his expertise as an evaluator and his in-depth knowledge of art. He was the owner of significant collections of natural history and historic prints.

Under the proposed agreement, Mr. Arader would transfer to the Library, at his cost, on or before July 1, 2011, certain prints that he owned, valued at approximately two million dollars. The specific prints were listed in Exhibit A to the agreement.

While the University was in possession of the prints, the University was not responsible for the risk of loss or damage and was not obligated to insure the prints.

In addition, the Library had the right to make the prints available for display to the public, and to photograph or reproduce the prints in any medium under the same rules and regulations pertaining to other prints or objects in the University's collections.

Mr. Arader would endeavor to solicit donations of funds from individuals to the University for use by the University to purchase these prints. Mr. Arader would solicit these funds from individuals who had not previously donated to the University, and he would not contact previous USC donors without the prior approval of the University. Using these donated funds, or otherwise, the University had the right to purchase any print in its possession, and Mr. Arader would transfer ownership to such prints at that time.

Furthermore, at the end of the term of the agreement, Mr. Arader agreed to donate permanently and transfer ownership to the University any remaining unsold prints. The term of this agreement was five years ending June 30, 2016. The University had the right to terminate the agreement at any time if it so desired. Mr. Arader did not have a termination right once the agreement was executed.

Dean McNally believed this arrangement with Mr. Arader would result in substantial additions to the Libraries' collections of natural and historic prints. Furthermore, Dean McNally had advised that Mr. Arader's motivation for this gift was to see the materials used in the classroom. To that end, Dean Mary Ann Fitzpatrick had pledged her support of the gift by assuring Mr. Arader that coursework would be developed that would

make use of the materials.

Mr. Arader had entered into similar arrangements with, among others, the University of Georgia, the University of Tennessee Foundation, the University of Florida Foundation, and the Santa Barbara Museum of Natural History (other than the termination provision, which USC negotiated separately).

Mr. Parham thanked Mr. Whittle who was instrumental in bringing the matter to the University.

Mr. Parham stated that Dean McNally was available to answer any questions about the agreement.

Mr. Lister moved approval of the agreement as presented and distributed. Mr. Adams seconded the motion. The vote was taken and the motion carried.

F. Gift Agreement - Anonymous Donor: Mr. Parham reported on behalf of Michelle Dodenhoff, Vice President of Development and Alumni Relations, who was seeking board approval for the University to accept a gift of software and hardware, valued in excess of \$250,000.

Mr. Parham stated that the donor of this gift wished to be anonymous. Pursuant to the SC Freedom of Information Act, the names of donors may be maintained confidentially if the donor so requested as a condition of the gift.

The software bundles and hardware would be used by the following four colleges within the University: College of Hospitality, Retail and Sport Management (35 percent); College of Engineering and Computing (35 percent); Moore School of Business (25 percent); and College of Education (5 percent).

The hardware and software could be used for both teaching and non-commercial research. One specific application would be teaching what was called mainframe management, under which faculty would be trained to use the mainframe to simulate real life scenarios relevant to matters being studied by students.

This gift would be used by the University to enhance student IT knowledge and talent.

The University would not incur any financial expense as a result of the receipt or use of this gift.

Mr. Warr moved approval of the agreement as presented and distributed. Mr. von Lehe seconded the motion. The vote was taken and the motion carried.

G. Memorandum of Understanding - USC Upstate and Ideation International, Inc.: Mr. Parham, on behalf of USC Upstate, was seeking board approval to enter into an agreement with Ideation International, Inc and Dr. Ron Fulbright, Chair of the USC Upstate Department of Informatics.

Working in concert with Ideation, Dr. Fulbright developed an 8-part course known as the Certified Innovation Professional (CIP) program. The program was designed to teach creative problem-solving. It was based upon TRIZ, a theory of problem-solving developed

by a soviet inventor beginning in 1946 who studied the evolution of thousands of inventions and identified patterns and characteristics of the problems that the inventors had to overcome. He then created a methodology for analyzing and solving these problems.

Dr. Fulbright studied this problem-solving methodology and developed his 8-part course.

Under the agreement, USC Upstate would offer the 8-module Certified Innovation Professional program as an on-line, non-degree, self-paced course via the internet to individuals identified by Ideation. Individuals would sign up for the courses through Ideation and would pay fees to Ideation.

Ideation would, in turn, pay USC Upstate fees for making the course available to these participants, as follows: \$500 per module if purchased individually; \$1,500 if an individual purchased a set of four modules at one time; and \$2,500 if an individual purchased all eight modules at one time.

USC Upstate must receive the fee from Ideation before the individual in question would be provided access to the courses. The fee was non-refundable.

All course materials would be available on-line to the participants. USC Upstate would contract with faculty to oversee the courses and grade assignments. Dr. Fulbright would perform this function initially.

The term of the agreement was two years. Either party could terminate the agreement upon 90 days written notice.

USC Upstate estimated that it would receive gross revenues in excess of \$250,000 over the two year term of the agreement. From this amount, after instructor fees were paid, USC Upstate estimated that it would make approximately 20 percent.

Mr. Lister moved approval of the agreement as presented and distributed. Mr. Adams seconded the motion. The vote was taken and the motion carried.

#### II. Early Payoff of Bank of America Energy Savings and Management Notes:

Chairman Loadholt called on Mr. Walton who was requesting board approval to use current funds to pay down notes owed to Bank of America in order to save \$4.5 million in interest over the next five or six years.

Mr. Adams moved approval and Dr. Floyd seconded the motion. The vote was taken and the motion carried.

Chairman Loadholt stated that this agenda item would be voted upon by the full Board later today.

III. Board of Visitors Appointments: Chairman Loadholt called on Secretary Stepp who was requesting on behalf of President Pastides, to fill two vacancies on the Board of Vistors. These two individuals, Ms. Elizabeth "Betsy" Holderman Bradley and Mr. D. Hollis "Chip" Felkel II, had been discussed in Executive Session without objection.

Mr. Adams moved approval and Mr. von Lee seconded the motion. The vote was taken and the motion carried.

IV. Ratification of Appointment of USC Upstate Chancellor: Chairman Loadholt reported on behalf of President Pastides that Dr. Thomas Moore had been selected as the new USC Upstate Chancellor.

Mr. Lister moved ratification of Dr. Thomas Moore as the new USC Upstate Chancellor. Mr. Adams seconded the motion. The vote was taken and the motion carried.

V. FY 2011-2012 University Budget: Chairman Loadholt called on Mr. Walton who gave an overview of the budget process and presented the FY 2012 budget.

Mr. Walton stated that the FY 2012 budget was a product of intense planning system wide.

The University's total proposed FY 2011-2012 revenues were \$1,204,229,173. A breakdown of the funds was as follows: Tuition and Fees (44.1 percent); Grants, Contracts, and Gifts (29.7 percent); Sales and Services Auxiliary Enterprises (13.1 percent); State Appropriations (9.7 percent); and Sales and Service-Educational and Other Sources (3.4 percent).

He called on Ms. Brunelli who stated that the state budget had not been adopted but was expected to clear conference committee and move on to the Governor for action. She noted that for the first time in three years the University had not had mid-year budget reductions. The University would receive \$11 million in non-recurring funding from the state Capital Reserve Fund which would be used for critical deferred maintenance projects. Ms. Brunelli reported that tuition and fee increases totaled 3.9 percent for undergraduates and graduates across the system. The non-resident undergraduate tuition rate was 2.6 times the resident undergraduate rate. The 3.9 percent increase for the resident undergraduate was \$191 per semester; the 3.9 percent increase for the non-resident undergraduate was \$495 per semester.

The increases for the professional schools varied as follows: Medicine (6.25 percent); Law (3.9 percent); and South Carolina College of Pharmacy (5 percent).

She advised that covering the state cut and required cost increases consumed the majority of the tuition increases. Growth in enrollment provided funding for strategic initiatives which she discussed in detail.

Chairman Loadholt called for a motion to adopt the operating budget for FY 2012, as presented in the materials distributed to the Board, including tuition and fee schedules, the housing budget and associated fee schedules, the athletics budget, and the designated funds budget. Mr. Adams moved approval of the FY 2012 budget as presented and Dr. Floyd seconded the motion. The vote was taken, and the motion carried.

Since there were no other matters to come before the Executive Committee, Chairman Loadholt declared the meeting adjourned at 4:40 p.m.

Respectfully submitted,

Thomas L. Stepp

IV-68

EXE\_061711.PDF

Secretary