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University of South Carolina

BOARD OF TRUSTEES

Executive Committee

April 20, 2007

The Executive Committee of the University of South Carolina Board of Trustees met on Friday, April 20, 2007 at 1:30 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; Mr. Michael J. Mungo, Mr. Mack I. Whittle, Jr. Other Trustees present were: Mr. Arthur S. Bahnmuller; Mr. William L. Bethea, Jr.; Mr. Mark W. Buyck, Jr.; Mr. John W. Fields; Mr. William C. Hubbard; Mr. William W. Jones, Jr.; Mr. Toney J. Lister; 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 for Research and Health Sciences Harris Pastides; Vice President and Chief Financial Officer Richard W. Kelly; Vice President for Advancement Brad Choate; Vice President for Student Affairs and Vice Provost for Academic Support 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 for System Affairs and Executive Dean for Regional Campuses and Continuing Education Chris P. Plyler; Assistant Vice Provost for Academic Affairs William T. Moore; Associate Vice President of Marketing and Communications Gary Snyder; Assistant to the Vice President, Division of Business and Finance, Ken Corbett; Chancellor of USC Aiken Thomas L. Hallman; Chancellor of USC Upstate John Stockwell; Dean of USC Sumter C. Leslie Carpenter; Dean of the School of Nursing Peggy O. Hewlett; USC Campus Dean of the South Carolina College of Pharmacy Randall C. Rowen; Executive Director of the Carolina Alumni Association Marsha A. Cole; Director of Printing Services Don Pruitt; Director of University Publications Laurence W. Pearce; Budget Director Leslie Brunelli; Director of Law Enforcement and Safety Ernest L. Ellis; Director of Financial Reporting, Controller's Office, Furman L. Edmonds; Director of Governmental and Community Relations Shirley Mills; Director of Government Affairs and Legislative Liaison Johnny D. Gregory; Assistant Treasurer Susan D. Hanna; Associate Director of Government Affairs and Legislative Liaison Casey Martin; Controller Patrick Lardner; Consultant for Financial Reporting, Controller's Office, John H. Campbell; Public Information Officer, USC

Lancaster, Shana Funderburk; Campus Chaplain, Baptist Collegiate Ministry, Jane Poster; Student Assistant, Governmental and Community Relations Tommy D. Preston, Jr.; 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. Indefinite Delivery Contracts (IDC):
 - 1. F & ME Consultants
 - 2. S & ME, Inc.

Chairman Adams called on Mr. Parham who stated that the two Indefinite Delivery Contracts had initially been approved in May 2005. Today, he requested an amendment to increase the contracts from \$249,000 to \$300,000, a \$51,000 increase. These contracts were used for geotechnical services for architectural/engineering projects.

Mr. Whittle moved approval of the two indefinite delivery contracts as described in the materials distributed for the meeting. Mr. Bradley seconded the motion. The vote was taken and motion carried.

B. Gatorade: Mr. Parham stated that the Athletics Department was seeking approval of a sponsorship agreement between Action Sports Media (ASM), the USC Athletic Department (USCAD) and Stokely-Van Camp, Inc. (SVC). He stated that SVC manufactured Gatorade, the official sports beverage of the Athletics Department. This contract was a continuation of that relationship.

Mr. Parham stated that under the proposed agreement, Gatorade would pay Action Sports Media (ASM), the sum of \$380,000 in cash over a seven year-period for the right to continue to be the official sports beverage for Carolina athletics.

The payment plan was as follows:

August 1, 2007 and August 1, 2008 - \$50,000
August 1, 2009 - \$55,000 and August 1, 2010 - \$55,000
August 1, 2011 - \$60,000 and August 1, 2012 - \$60,000

USCAD would use Gatorade as the exclusive sports beverage and use its best efforts to exclusively place Gatorade-identified cups, coolers, ice chests, squeeze bottles, sideline carts and towels along the sidelines for all sports events at the University. In addition, ASM would grant SVC promotion rights and services.

The term of the agreement would be seven years commencing August 1, 2006 and terminating July 31, 2013.

Chairman Adams inquired about the total dollars and total products received in the past term of this contract. Mr. Parham responded that he did not have that information on hand but would provide it to him.

Mr. Whittle asked if the contract had received competitive bids. Mr. Parham responded that the contract was negotiated by Action Sports Media on behalf of the Athletics Department and that the University had given ASM that right. Also, if Gatorade did not want the University's signature on the document directly, ASM could have entered into the contract directly with Gatorade without additional approval.

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

C. TMP Travel: Mr. Parham presented this contract on behalf of the Athletics Department which was seeking approval to enter into an agreement with Travel Management Partners (TMP), Inc. TMP would provide and manage the travel operations for the Athletics Department and would provide the University with technological and management support for its travel operations by supplying products, services, agent assisted and online travel reservation systems, ticket delivery systems, and related technology.

Mr. Parham stated that the Athletics Department selected TMP as the vendor pursuant to a solicitation process; there were a total of six responders. The term of the contract was for three years commencing September 1, 2006 and ending on August 31, 2009. The agreement could be extended for two additional years upon mutual consent of both parties and could be terminated by any party at any time upon 90 days notice.

TMP would also install, maintain, and repair at its expense a computer reservation system including all computer terminals and ticket printers; therefore, the Athletics Department would have direct access for on-line airline reservations. The equipment would be installed in the Roundhouse. TMP would negotiate and handle all airline ticket services for the Athletics Department which would include team travel and administrative travel. This service included ticket purchases and ticket exchanges, negotiations of all chartered bus services from the University to the destination site or from the airport to the site on all events. In addition, TMP would handle hotel, car reservations for team and coaches travel and would provide accounting services. TMP would provide monthly reports of all costs incurred by the Athletics Department for the various types of travel.

Mr. Parham stated that TMP would provide the Athletics Department the salary and benefits for a full-time on-sight travel agent. The salary and benefits were valued at approximately \$50,000 annually.

The Athletics Department would pay TMP travel fees of \$20.00 per hard ticket issued, 3 percent of total air charter cost not to exceed \$2,000 per charter and 10 percent of all chartered bus costs not to exceed \$400 per charter.

Mr. Parham stated that, this year, the Athletics Department would spend approximately \$787,000 on chartered flights for USC teams, several hundred thousand dollars in commercial flights and approximately \$250,000 in chartered bus services.

Mr. Parham stated that TMP was in the top 15 corporate travel management firms in the United States and was based out of Raleigh, NC. The company was founded in 1994 and earned more than \$300 million in services annually. Also, the company had 156 employees, was privately owned and specialized in corporate management travel for small to mid-size entities.

Mr. Bradley asked which company had provided this service to the Athletics Department in the past. Mr. Parham responded that a variety of companies had provided these services and that World Tech was the most recent; TMP provided a better deal.

Mr. Whittle inquired about the bid process and whether Gamecock Club members had an opportunity to be a part of the bid process. Mr. Parham responded that he was not certain but a total of six companies responded to the bid. Mr. Whittle commented that because there was a large Alumni base, it may be problematic if they were capable of bidding and were not given an opportunity.

Dr. Floyd stated that there should be checks and balances to ensure that the University was getting the best deal on tickets because of the availability of ticket purchases on-line. And, if the University was not receiving the best deal was there a way out in less than 90 days?

Mr. Parham responded that there would be an accounting given to the Athletics Department that would show what was being spent monthly and reiterated that there was a termination clause in the contract with 90 days notice.

Mr. Bradley requested a copy of TMP's client list. Mr. Parham said he would be happy to provide him with a list.

Mr. Whittle asked whether TMP and the University had been operating under the contract because it was dated September 1, 2006. He stressed that the Executive Committee was authorized to approve contracts in excess of \$250,000 and contracts of that nature should not be entered into and operated on prior to receiving the appropriate approval.

President Sorensen stated that he was unaware of the Athletics Department and TMP relationship and he would speak with the Athletics Director today regarding this matter.

A member questioned how other universities operated their travel services. Dr. Sorensen responded that he tried to have a single agent at two other universities and that it was not politically possible. If the University chose to go the route of one vendor, the vendor would more than likely request an exclusive arrangement on tickets. Typically, the free market did not look favorably on that kind of monopoly.

Another member asked whether the University could establish its own travel office. President Sorensen responded that the University could do so, but he further stated that his experience with four other universities indicated that when they tried a monopoly, the faculty resisted because they had developed relations with individual travel agents. In his opinion, it would also be very difficult to get 1,100 faculty on this campus to choose one travel agent.

Mr. Mungo stressed the importance of having staff available to answer questions on issues the Committee was expected to vote on.

Mr. Whittle made a motion to adjourn debate until athletics officials were available to answer further questions from the Board. Dr. Floyd seconded the motion. The vote was taken, and the motion carried; debate was adjourned.

D. Elliott Davis: Chairman Adams called on Mr. Parham who reported that pursuant to the procurement code, on January 30, 2007, the University had issued a request for proposal seeking an external auditing firm to conduct financial and compliance audit services for the University during the next five years including the current fiscal year and ending June 30, 2011.

Mr. Parham stated that bids had been received from six outside auditing firms and Elliott Davis was selected. The University selection team was led by Internal Auditor, Alton McCoy and the USC Controller, Patrick Lardner. Under the proposal, the University would pay a total of \$512,800 over the life of the contract. The University's all inclusive fees for services including all out-of-pocket costs for each of the five years were as follows:

2007	\$ 98,500
2008	\$100,500
2009	\$102,500
2010	\$104,600
2011	\$106,700

Mr. Parham stated that bids ranged from approximately \$477,000 to \$948,000. He stated that cost was not the sole factor in the selection criteria, but experience in higher education and in research institutions were also factored into

the evaluation of the proposals. Elliott Davis was not the lowest bid but was in the middle.

Mr. Parham stated that if additional services were needed beyond the University's "routine state required audit" and should the University choose to use Elliott Davis to provide the services, the hourly rate would be based on the employee's position. The hourly rate for a Shareholder would be \$225 - \$250; Senior Manager/Manager \$110 - \$175; and Senior Staff \$75 - \$100. There was an additional hourly rate for services outside the scope of the financial and compliance audit structure.

Mr. Parham stated that Elliott Davis was one of the largest regional CPA firms in the southeast with 37 shareholders and over 300 employees. The firm had six offices in South Carolina, located in Aiken, Anderson, Columbia, Greenville, Greenwood and Laurens as well as offices in Augusta, Georgia and Virginia.

Mr. Parham stated that once Board approval was received, the University would issue an Intent to Award letter. After the statutory time period of 10 days, if there were no protests filed, the University would execute the actual engagement letter.

Mr. Hubbard asked the question, under what circumstances would that firm be allowed to conduct services on an hourly basis? Mr. Parham responded, only if the services were specifically requested by the University.

Another question raised was whether similar institutions in South Carolina used that firm. Mr. Parham responded, that the Citadel, Lander and the College of Charleston used that company.

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

E. USC Printing Services Equipment Upgrade: Chairman Adams called on Mr. Parham who presented a proposal between the University and Heidelberg USA, Inc. USC Printing Services requested to purchase two new printing presses, a 20" x 29" four-color perfecting press and a 13" x 18" two-color press. These presses would replace two existing printing presses that were purchased in 1983 and 1993 respectively. He stated that the printing presses were old, expensive to maintain and inefficient in terms of producing quality printing services and publications.

Mr. Parham stated that Heidelberg USA was considered a leader in the manufacturing of printing presses and was selected by the University through the Consolidated Procurement process using what was called "competitive best value bid". The selection criteria included cost, performance and references. He stated

that Printing Services was self-supporting and generated enough revenue to pay its employees salaries, equipment and supply costs.

The total cost for the two new printing presses was \$852,405. Printing services would pay \$324,405 in cash and finance the remaining balance over seven years. This type of arrangement was offered by the State Treasurer's Office which allowed state agencies to finance purchases through financial institutions selected by the State Treasurer.

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

II. Fort Jackson Refund Schedule for Summer: Chairman Adams called on Mr. Kelly who reported on the USC Fort Jackson Summer Refund Schedule. Mr. Kelly stated that the Department of Defense allowed only one refund schedule per participating institution and this change would make the summer refund schedule consistent with the other 8-week terms offered at Fort Jackson.

Dr. Floyd made a motion to approve the refund schedule as distributed in the materials for this meeting. Mr. Whittle seconded the motion. The vote was taken and the motion carried.

III. Debt Management Policy: Chairman Adams called on Mr. Kelly who presented the Debt Management Policy. He stated that the Ad Hoc Committee had been working with Lehman Brothers on financial strategies and the debt policy. The purpose of the debt policy was to ensure that the appropriate mix of funding sources was utilized and to provide guidance on the strategic use of debt as a funding source. This policy provided a discipline and framework that would be used by management to evaluate the appropriate use of debt in capital financing plans.

Secretary Stepp stated that a substitute of page four of the document was at members' places because the original page was collated improperly.

Mr. Bradley stated that he was very pleased with the policy and that the University needed do everything in its power to keep its credit rating high.

Mr. Mungo moved approval of the Debt Management Policy as presented and put at member's places with the materials for this meeting. Mr. Whittle seconded the motion. The vote was taken, and the motion carried.

Chairman Adams thanked Mr. Mungo, Ms. Moore and Mr. Whittle for serving on debt the policy committee.

Since there were no other matters to come before the Committee, Chairman Adams declared the meeting adjourned at 4:45 p.m.

Respectfully submitted,

Thomas L. Stepp
Secretary