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University of South Carolina

BOARD OF TRUSTEES

Executive Committee

October 16, 2009

The Executive Committee of the University of South Carolina Board of Trustees met on Friday, October 16, 2009, at 11:30 a.m. in the 1600 Hampton Street Board Room.

Members present were: Mr. Miles Loadholt, Chairman; Mr. Herbert C. Adams; Mr. Michael J. Mungo; and Mr. Eugene P. Warr, Jr. Dr. C. Edward Floyd; Mr. William C. Hubbard; and Mr. Mack I. Whittle, Jr. were absent.

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

Others present were: President Harris Pastides; Secretary Thomas L. Stepp; Vice President for Finance and Planning William T. Moore; Vice President for Student Affairs and Vice Provost for Academic Support Dennis A. Pruitt; Vice President for Information Technology and Chief Information Officer William F. Hogue; Vice President for Research and Graduate Education Stephen Kresovich; Vice President for Human Resources Jane M. Jameson; Vice President for Advancement Michelle D. Dodenhoff; General Counsel Walter (Terry) H. Parham; University Treasurer Susan D. Hanna; Special Assistant to the President J. Cantey Heath, Jr.; Vice Provost and Executive Dean for System Affairs and Extended University Chris P. Plyler; Chancellor of USC Aiken Thomas L. Hallman; Chancellor of USC Upstate John Stockwell; Dean of USC Lancaster John Catalano; Dean of the College of Arts and Sciences Mary Anne Fitzpatrick; Vice Provost for Faculty Development Christine W. Curtis; Associate Vice President for Resource Planning Edward L. Walton; Executive Director of the Alumni Association Marsha D. Cole; Associate Vice President for Student Life and Development Jerry Brewer; Associate Vice President for Information Technology and Deputy Chief Information Officer Jeff Farnham; Director of Athletics Eric C. Hyman; Chief Financial Officer, Department of Athletics, Jeff Tallant; Executive Associate Athletics Director for External Affairs Kevin O'Connell; Deputy Athletics Director Marcy Girton; Distinguished Professor and Director of Clinical Exercise Programs J. Larry Durstine; Faculty Senate Chair Patrick D. Nolan; President of the Student Government Association Meredith Ross; Director of Governmental and Community Relations and Legislative Liaison Shirley D. Mills; Director of Governmental Affairs and Legislative Liaison Casey Martin; Director of

Media Relations, Division of University Advancement, Margaret Lamb; SunGard Higher Education representatives Lynn Derrick and Sophia Derrick; 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 stated that no members of the press 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 matters relative to interim appointments of new Board members to committees, Board of Visitors appointments, and a contractual matter relative to a lease agreement which were appropriate for Executive Session.

Mr. Adams 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. Moore, Mrs. Jameson, Dr. Pruitt, Dr. Hogue, Dr. Kresovich, Dr. Plyler, Mr. Parham, Mr. Heath, Mr. Walton, Mrs. Martin, Ms. Mills, and Mrs. Lamb.

Return to Open Session

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

A. Basketball Team Charter Flight Contract: Chairman Loadholt

called on Mr. Parham who reported that on behalf of the Athletics Department, he was seeking committee approval of a charter flight agreement with CharterSearch, Inc. Under this agreement, the Gamecock men's basketball team would be transported to eight away games this season, including the SEC Tournament in Nashville, TN. The Athletics Department had entered into this standard charter flight agreement for the past several years; total cost was \$264,845.85.

Prior to selecting CharterSearch Inc. to provide this service, the Athletics Department obtained quotes from three other airlines offering charter services. CharterSearch was selected for the following reasons: 1) CharterSearch had been used by the Athletics Department in the past, including last year, and the Athletics Department was very satisfied with the service; 2) CharterSearch's bid (\$264,842) was the lowest bid proposed and was approximately \$18,000 less than the nearest competitor; 3) CharterSearch was able to provide a 30 seat aircraft as opposed to a larger 50 seat aircraft for some of the flights; therefore, the basketball team would be able to fly into smaller airports located closer to the Ole Miss and Auburn campuses.

By way of comparison, the cost of nine charter flights for the men's basketball team last year was \$321,937, while this contract was for \$264,842 for eight flights.

Mr. Warr moved to approve the contract as described in the meeting materials. Mr. Adams seconded the motion. The vote was taken, and the motion carried.

B. Balley Falls Road Property Lease - USC Upstate: On behalf of USC Upstate, Mr. Parham was seeking board approval of an agreement with the USC Upstate Foundation to lease a parcel of property located on the northeast corner of the Upstate campus. The property, located within the USC Upstate Master Plan development footprint and contiguous to the Upstate Facilities Management complex and athletics facilities, consisted of six acres and two metal warehouse buildings totaling 28,000 square feet as well as loading docks next to the buildings.

The USC Upstate Foundation planned to purchase the property with all improvements for the sum of \$555,000; the property was appraised for \$950,000. In order to finance the purchase, the Foundation would borrow \$560,000 to be amortized over a ten year period (approximately \$77,161.80 per year).

Under the proposed lease agreement, USC Upstate would lease the property at a rental amount of \$78,000 per year for ten years, with all lease payments being applied to the purchase price paid by the Foundation. At the conclusion of the ten year period, ownership of the property would be transferred to USC Upstate. USC

Upstate could also purchase the property at any time by paying the remaining debt service.

In addition, the lease provided that USC Upstate could increase the amount of its lease payment to reduce the debt service repayment schedule (and interest). However, if it desired to purchase the property before ten years, or to increase the amount of its lease payments, USC Upstate would return to this Board for authorization.

Initially, the property would be used for storage and warehouse space. Currently, USC Upstate leased six tractor trailers to store equipment and furnishings. These trailers cost approximately \$1,200 to \$1,500 per month.

Mr. Parham noted that a portion of the property will be used for track and field facilities.

Mr. Mungo asked the amount of interest being paid on the borrowed money. Chancellor Stockwell responded that the Foundation's interest rate of 6.75 percent was the best that could be acquired at the time. The money for the project was sought in a short period of time; and there was a short window of opportunity to purchase the property. USC Upstate intended to pay off the property within ten years.

Mr. Adams moved to approve the contract as distributed in the materials for this meeting. Mr. Mungo seconded the motion. A vote was taken, and the motion carried.

C. 707 Catawba Street Lease Agreement: Mr. Parham reported that the University was seeking board approval for a lease agreement between the University and the Development Foundation for the building and property located at 707 Catawba Street. The building contained approximately 26,658 square feet of space which would continue to be used to house MovieTone News.

The term of the lease was five years and would expire on September 30, 2010.

Mr. Parham reported that the rental amount was \$9,762.42 per month (\$117,149.00 annually) and based on the following: \$8.00 per sq. ft. for 7,485 sq. ft. of office space; \$3.00 per sq. ft. for 17,923 sq. ft. of warehouse space; \$2.80 per sq. ft. for 1,250 sq. ft. of vault space.

Under this standard state real estate lease the University was obligated to pay utilities, to provide public liability insurance, and to be responsible for repairs and maintenance. In addition, the Foundation would provide fire, flood, and earthquake coverage on the facility.

Mr. Mungo commented that he had read an editorial which maintained that the University was "not getting as much mileage out of all those old movies as we could." President Pastides responded that the University had a "gold mine" of documentary film. He had arranged with Dr. Hogue and Dean Tom McNally to interview

potential partners who would facilitate not only the University's earning power, but also advancing the University's reputation. The goal was to find a private partner who would pay to complete the digitization and to form a joint venture with the University to make these films available online and to have the USC brand on every newsreel.

In response to Mr. Mungo's inquiry about the location of materials in bunkers at Ft. Jackson, President Pastides indicated that highly flammable materials were there. The University owned a unique piece of equipment that would digitize without harming. The University of South Carolina and the Library of Congress possessed the two largest collections of antique newsreels in the United States.

Secretary Stepp commented that he had toured the MovieTone News Library with President Pastides whose enthusiasm for the archives was encouraging. President Pastides was confident that the University would capitalize on this collection as soon as possible.

Mr. Warr moved to approve the lease agreement as distributed in the materials for this meeting. Mr. Adams seconded the motion. The vote was taken, and the motion carried.

II. Interim Appointments of Ms. Moody and Mr. Gregory to Committees:

Chairman Loadholt called on Secretary Stepp who presented the following proposed recommendations for the new committee structure as discussed in Executive Session.

On behalf of the Chairman, he recommended the appointment of Ms. Moody to the Fiscal Policy Committee, Health Affairs Committee and Student Trustee Liaison Committee.

In addition, he recommended the appointment of Mr. Gregory to the Academic Affairs Committee, Fiscal Policy Committee and the Student Trustee Liaison Committee.

Other proposed changes to balance the committees included: 1) remove Mr. von Lehe from the Fiscal Policy Committee and assign him to the Buildings and Grounds Committee; 2) remove Mr. Allen from the Student-Trustee Liaison Committee and assign him to the Intercollegiate Athletics Committee; and, 3) remove Mr. Lister from the Health Affairs Committee.

Mr. Mungo moved to approve the new committees' structures as presented. Mr. Adams seconded the motion. The vote was taken, and the motion carried.

In closing, Secretary Stepp noted that there was a vacancy on the Executive Committee which the full board would address later today.

III. Election of Board of Visitors Members: Mr. Warr moved to approve the election of Ms. JoBeth Stephens Hite and Mr. Hubert F. Mobley to the Board of Visitors as discussed in Executive Session. Mr. Adams seconded the motion. The

vote was taken, and the motion carried.

IV. OneCarolina Report: Chairman Loadholt called on Dr. Hogue who gave an overview of OneCarolina. Today, he was seeking Board approval to proceed with Phase 1 of OneCarolina.

Dr. Hogue reported that OneCarolina was a project to completely overhaul the University's 30-year-old administrative systems, which included student information, business and financial, and human resources systems, to support improved business processes.

During Phase I, current student information systems and business processes would be replaced by SunGard Higher Education's Banner product on a three-year timetable.

Phase I constituted approximately 50 percent of the total budget and effort for OneCarolina. Project sponsors would return to the Board for approvals of Phases II and III as financial resources permitted.

The key processes to be replaced included student recruiting, admissions, registration, billing, cashiering, student records, and financial aid. A new portal would provide student access to online, web-based services not currently provided. Critical infrastructure such as identity management, document imaging, workflow, and data warehouse reporting would also be implemented.

Dr. Hogue gave an overview of the history and budget relative to the OneCarolina project as follows:

- The Board of Trustees approved funding for a planning and procurement process in 2005. The planning process included over 300 participants representing all campuses.
- The Board of Trustees approved notice of intent to award the contract to SunGard Higher Education in 2007. However, there had been a delay in implementation because of several procurement issues that needed to be resolved, and because of change in worldwide economic circumstances. The University decided to scale back and wait for another time to move forward.
- As the University's financial circumstances changed over the last two fiscal years, the OneCarolina project team had continued with preparatory infrastructure procurement and implementation at a greatly reduced pace.
- A Fit/Gap Analysis and Readiness Assessment were completed by external vendors in 2008.
- The CIO had provided periodic project updates since 2007. Also, the Board had reaffirmed its strategic and philosophical commitment to OneCarolina, most recently in June 2009.

Budget:

- Going forward, the budget included \$35 million in one-time funds, and \$2.5 million in recurring funds over a three-year timeline. USC Columbia would provide 85 percent of the recurring investments, with Regional and 4-year campuses responsible for 15 percent. USC Columbia would provide 95 percent of the one-time investment, with Regional and 4-year campuses responsible for 5 percent.
- As primary contractor, SunGard Higher Education would provide software licenses and implementation services. Significant portions of the budget would be allocated for personnel backfill in USC business offices; investments in servers, data storage, and other IT infrastructure; and third-party software for additional functionality.
- As of the close of FY2008-2009, OneCarolina investments over the past four years had totaled approximately \$7.5 million for software licensing, project planning and staffing, and facilities and infrastructure.

Risk Mitigation:

- Two processes were undertaken in spring 2008 to assess project planning and University preparedness for OneCarolina implementation. First, the Fit/Gap Analysis determined the extent to which "off the shelf"

SunGard/Banner software could meet specific business needs, and identified business needs that would require customized solutions. The anticipated cost of customized solutions had been included in the project budget. Second, the Readiness Assessment focused on whether USC had realistic plans, expectations and resources to meet OneCarolina objectives successfully. The overall assessment was that USC was better prepared for OneCarolina than any of the other 16 universities previously assessed by Collegiate Project Services.

- The OneCarolina contract was structured so that USC could speed up, slow down, or terminate its contract with SunGard on 60 days notice without penalty. USC would pay only for those services it used. This would preserve USC's financial flexibility in the unlikely event that OneCarolina resources must be reallocated to higher University priorities at any time in the future.
- Independent verification and validation (IV&V) services would be engaged when Phase I commenced. IV&V provides an external audit function ensuring that OneCarolina objectives are achieved on time and within budget. The IV&V contractor would report directly to OneCarolina sponsors. The IV&V contractor would maintain a publicly accessible "project dashboard" on the web so that key indicators of project progress would be visible to all constituents at all times.
- One-time and recurring funds had been judged by USC's senior financial team and OneCarolina leadership as sufficient to complete Phase 1 of OneCarolina successfully.
- A 10 percent contingency fund had been included in the project budget.
- Individual contracts within the scope and budget for OneCarolina would be subject to review and approval by the Secretary of the Board of Trustees upon recommendation of the CIO and the legal department.
- The CIO would report project status to the Board not less than twice yearly, or at the Board's pleasure.

Dr. Hogue stated that a thorough job had been done by Dr. Ted Moore, Ms. Leslie Brunelli, and Mr. Ed Walton to ensure that there were adequate funds for Phase I. Approval for Phases II and III would be presented at a later time when funding was available.

Mr. Adams asked if all campuses were involved in the development of the project and knowledgeable of the costs. Dr. Hogue responded that he had personally called Chancellors Hallman, Stockwell, and Upshaw last week and shared the figures with them. Subsequently, Dr. Moore had sent them spreadsheets and letters

indicating the cost sharing amounts; feedback was very positive.

In addition, Dr. Chris Plyer had contacted all of the deans at the regional institutions and they likewise were satisfied.

A question was raised regarding the life expectancy of the new systems. Dr. Hogue expected a 10 to 15 year life span for the proposed systems. One of the advantages of working with a partner like SunGard Higher Education was that, as part of the contractual arrangement, the University would receive periodical updates when major changes were made to the software because of federal and state compliance issues. Dr. Hogue stated that there should not be another major overhaul in the next couple of years. If SunGard did not offer additional pieces of functionality, there were a number of blue chip partners in the industry with whom the University could work. The objective of this project was to address those needs with the best available product the University could afford.

SGA President Meredith Ross asked how soon students and faculty would begin to see changes. Mr. Farnham stated that one of the early advantages for students would be the new communication channels and integration with Blackboard. Students should see visible results as soon as next fall.

Mr. Adams moved to approve Phase I of the OneCarolina project. Mr. Warr seconded the motion. The vote was taken, and the motion carried.

V. Sasaki Associates Inc. Agreement: Chairman Loadholt called on Mr. Parham who reported that the University had contracted Sasaki Associates, Inc. since the 1990s to provide master planning services; they had also entered into various other contracts with the University since that time. Previously, the Board had approved a five year master agreement in 2005 which would expire in November 2010; the University will need to decide whether to continue with Sasaki or rebid the entire process.

Mr. Parham stated that today for board consideration was the latest amendment to the 2005 master agreement under which Sasaki would perform two different task orders.

First, under the master planning task order, Sasaki would provide planning and design services in areas such as campus space needs and growth assessment, transportation planning, and future growth and development planning. The company would also incorporate all the various master planning services it had performed over the last several years into an updated master plan document. The fee for these services would be \$482,500 plus up to 15 percent for associated expenses (\$72,375) for a total of \$554,875.

Upon board approval, these services would begin immediately and would be completed by August 2010.

Additionally, Saskai would be on call for consultation services on an "as needed" basis by the University (same concept as the Indefinite Delivery Contracts that this Committee approved each year). The University was not obligated to engage Sasaki for additional services but could do so; the maximum amount was \$75,000. Mr. Parham advised that the contract would be amended to provide more clearly that Sasaki was not entitled to payment of any portion of the \$75,000 unless the University authorized the work to be performed. The total amount of the contract was a maximum of \$629,875.

Within the established budgets, Sasaki would be paid on an hourly basis. The hourly rates ranged from \$55 - \$70 for support staff, and \$195 - \$300 for project principals such as Mr. Dick Galehouse.

These rates were identical to the rates approved by the Board in the 2005 master agreement with Sasaki, with the exception of a \$25 increase in the upper end of the ranges for project principal and a \$20 increase for project managers, designers and architects. The contract would be amended to provide that these rates would apply throughout the term of the contract.

Mr. Parham indicated that because of Mr. Mungo's interest, the University had obtained a commitment in writing stating that these rates would not change again during the term of this contract.

A question was raised regarding the widespread range in the hourly wages and whether they could be gauged. Mr. Parham stated that the ranges were similar to those of a law firm; for example, if he engaged a law firm to do work for the University, a range of wages from an associate to general partners was included. Furthermore, it was anticipated that only two percent of the total contract amount will be spent in the category Mr. Mungo referenced. The University anticipated spending two percent of the contract for the support staff; three percent for project staff; 42 percent for architects, engineers and designers; 25 percent for project designers; 13 percent for project managers; and 15 percent for principals.

Mr. Mungo reiterated his concern about the broad range in wages and Mr. Adams concurred with him. He did not remember approving a contract in the past which included a schedule of rates; in the past the Board had approved a total figure.

Mr. Mungo suggested that the schedule of rates be omitted the next time because it led to questions about the fairness of the budgeting process. Mr. Parham agreed and reminded the committee that in November 2010 the agreement with Sasaki Associates, Inc. would terminate. At that point, another proposal would be presented to the Board for consideration. Based on today's comments, most likely further discussion will be held regarding tightening the ranges.

Mr. Mungo moved to approve the agreement as submitted in the materials for this meeting. Mr. Adams seconded the motion. A 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 12:30 p.m.

Respectfully submitted,

Thomas L. Stepp  
Secretary