

University of South Carolina
BOARD OF TRUSTEES

Executive Committee

December 18, 2012

The Executive Committee of the University of South Carolina Board of Trustees met on Tuesday, December 18, 2012, at 1:20 p.m. in the 1600 Hampton Street Board Room.

Members present were: Mr. Eugene P. Warr, Jr., Chairman; Mr. John C. von Lehe, Jr., Vice Chairman; Dr. C. Edward Floyd; Mr. William C. Hubbard; Mr. Toney J. Lister; and Mr. Miles Loadholt, Chairman Emeritus.

Other Trustees present were: Mr. Chuck Allen; Mr. Robert "Eddie" Brown; Mr. J. Egerton Burroughs; Mr. Mark W. Buyck; Mr. Thomas C. Cofield; Mr. A.C. "Bubba" Fennell; Mr. William W. Jones, Jr.; Mr. Hubert F. Mobley; Ms. Leah B. Moody; Dr. C. Dorn Smith; Mr. Thad H. Westbrook; Mr. Mack I. Whittle, Jr.; Mr. Charles H. Williams; and Dr. Mitchell M. Zais.

Also present were faculty representative Dr. Sandra J. Kelly and student representative Kenny Tracy.

Others present were: President Harris Pastides; Secretary Amy E. Stone; Vice President for Academic Affairs and Provost Michael D. Amiridis; General Counsel Walter "Terry" H. Parham; Chief Financial Officer Edward L. Walton; Vice President for Development and Alumni Relations Michelle Dodenhoff; Vice President for Human Resources Chris Byrd; Vice President for Information Technology and Chief Information Officer William F. Hogue; Vice President for Communications Luanne Lawrence; Vice President for Student Affairs and Vice Provost for Academic Support Dennis A. Pruitt; Athletics Director Ray Tanner; USC Aiken Chancellor Sandra J. Jordan; USC Beaufort Chancellor Jane Upshaw; College of Arts and Sciences Dean Mary Anne Fitzpatrick; Associate Vice President for Business and Finance Leslie Brunelli; Senior Vice Provost and Director of Strategic Planning Christine W. Curtis; Director of State Relations Trey Walker; Director of Governmental and Community Relations and Legislative Liaison Shirley D. Mills; Executive Assistant to the President for Equal Opportunity Programs Bobby Gist; Director of Capital Budgets and Financing, Division of Finance and Planning, Charlie Fitzsimons; Alumni Association Executive Director Jack Claypoole; Associate Director of Planning and Assessment Cameron Howell; University Controller Jennifer Muir; Director of Financial Reporting Sandy Smith; Director of General Ledger Accounting and Assistant Controller Mary Peak; Special Assistant to

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the President J. Cantey Heath Jr.; Director of News and Internal Communications Wes Hickman; University Technology Services Production Manager Justin Johnson; and Board staff members Debra Allen, Karen Tweedy and Vera Stone. Also present was Alan Lipsitz of the Nexsen Pruet law firm.

Chairman Warr called the meeting to order and invited those present to introduce themselves. Mr. Hickman introduced members of the media in attendance: Andy Shain of *The State*, and James Hammond of *The Columbia Regional Business Report*.

Chairman Warr 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. He then called on General Counsel Walter “Terry” H. Parham to present contracts.

I. Contracts

A. U.S. Department of Justice

Mr. Parham said that in 2002, the University and the U.S. Department of Justice (DOJ) entered into an agreement under which DOJ leased 52,726 square feet of space on the 2nd and 3rd floors of 1600 Hampton Street for a 10-year period. DOJ paid the University \$2,000,000 to renovate the space and then paid \$14 per square foot as a rental fee. Under the terms of the original agreement, the parties have the option to extend the term of the lease for an additional 10-year period. The original agreement also provided that during the extension period, the rental fee could not be increased by more than 1.5% per year.

DOJ has expressed its desire to exercise the option to extend the lease, and the University now seeks Board approval to do so.

Under the terms of the 10-year lease extension, DOJ will pay USC \$14.21 per square foot for the lease term beginning October 1, 2012, and continuing through September 30, 2013. That is a 1.5% increase over the current rental fee of \$14 per square foot, and amounts to \$749,236.46. For each year thereafter, the rental fee will increase by 1.5% per year. The rental fee is inclusive of maintenance, energy and utility services provided by USC. During the extension period, USC will receive more than \$8,000,000 (\$8,018,869.25) in rental fees from DOJ.

Finally, Mr. Parham said, the extension agreement provides that during the first three years of the new 10-year term – October 1, 2012, through September 30, 2015 – either party may terminate the lease by providing 365 days written notice of termination. During the remaining seven years of the extension period – October 1, 2015, to September 30, 2022 – either party may terminate the lease by providing 180

days written notice. Mr. Parham further noted that under the original lease, USC also offers DOJ the opportunity to lease up to 25 parking spaces in the garage at monthly rates set by the University consistent with established USC parking rates.

Chairman Warr called for a motion to extend the lease as described in the agenda materials and presented by Mr. Parham. Mr. von Lehe so moved. Mr. Loadholt seconded the motion. The vote was taken, and the motion passed.

B. Verisk Health/TierMed

Mr. Parham said that on April 23, 2010, the Board of Trustees approved a software license agreement for the Institute for Families in Society with a company known as TierMed. TierMed is now known as Verisk Health Solutions, Inc. The Institute now seeks Board approval to enter into an extension of that software license agreement for an additional term beginning January 1, 2013, and ending June 30, 2017. Under the extension, Mr. Parham said the Institute will pay \$272,000 during the 1st year, \$292,000 the second, third and fourth years, and \$146,000 during the final six months of the agreement, for a total of \$1,294,000. Annual payment is due upon execution of the contract and on the anniversary date thereafter.

On July 1, 2012, the Institute received a five-year, \$13,773,352 grant from the S.C. Department of Health and Human Services to evaluate Medicaid and the efficiency of Medicaid delivery systems in South Carolina. That grant will fund the total cost of the software, so no University funds will be used, Mr. Parham said.

The Institute for Families in Society was created in the early 1990s. The mission of the Institute today is to use interdisciplinary research and leadership as a platform to advance the science and practice of strengthening families at community, state, regional, national, and international levels. The software serves as a data warehouse that allows the voluminous Medicaid data that the Institute has acquired to be dumped in, and then analyzed and manipulated. The unique feature of this software is that it includes access to National Standard Quality Indicators called HEDIS - Healthcare Effectiveness Data and Information Set measures. This data pertains to managed health care programs nationally. As a result, with the help of this software, the Institute will be able to compare South Carolina managed care programs against each other and against national programs outside South Carolina.

Ultimately, the Institute will generate reports for DHHS and the State Legislature on its analysis and evaluation of the efficiency of Medicaid delivery systems in South Carolina. These reports will be used by DHHS to determine if South Carolina citizens are being properly served by Medicaid managed programs.

Chairman Warr called for a motion to extend the software license agreement as described in the agenda materials and presented by Mr. Parham. Mr. Lister so moved. Mr. Hubbard seconded the motion. The vote was taken, and the motion passed.

C. Instituto Tecnológico Y De Estudios Superiores De Monterrey

Mr. Parham said that in 2003 the Darla Moore School of Business entered into a contract with Tec de Monterrey under which the Business School agreed to establish and make available to Tec de Monterrey students the Executive International Master of Business Administration Program (EIMBA). The program has been successful, and the agreement has been extended twice since that time. The Darla Moore School of Business now requests the Board to extend the agreement a third time – through August 31, 2015.

Under the agreement, the School of Business will continue to offer the EIMBA program to cohorts of 20 students. The EIMBA program consists of approximately 17 courses (48 credit hours) taught in an accelerated manner over 22 months on both the USC and the Guadalajara campuses. There are usually at least two cohorts of students going through the program simultaneously.

In exchange, Tec de Monterrey will pay the School of Business \$20,000 per course per cohort taught by USC faculty and \$3,250 per faculty member for each trip to Guadalajara to teach a course (to cover travel, room and board). Additionally, USC receives tuition/course fees as set by the Board of Trustees from students in these courses. Currently, the cost of the EIMBA program is \$41,500 per student. Payment is made twice a year (in January and July). Tec de Monterrey is responsible for operational expenses such as general marketing of the program and recruiting expenses, technology tools, course materials, and travel for students and faculty to non-Guadalajara campus sessions.

The Darla Moore School of Business estimates that it will receive approximately \$350,000 annually in the form of program course fees and travel reimbursement for faculty traveling to Guadalajara as a result of offering this EIMBA, Mr. Parham said.

Chairman Warr called for a motion to extend the agreement as described in the agenda materials and presented by Mr. Parham. Mr. von Lehe so moved. Mr. Loadholt seconded the motion. The vote was taken, and the motion passed.

D. Sungard Public Sector

On June 17, 2012, Mr. Parham noted that the Board authorized the Division of Law Enforcement and Safety to purchase a comprehensive law enforcement operations and administration records management software package called “OSSP”, including annual maintenance, from SunGard Public Sector, Inc. for a five-year period for the total sum of approximately \$317,997. The software allows Law

Enforcement to better meet the needs of victims, and comply with state and federal crime reporting requirements. The total amount will be paid from operating funds and may vary slightly depending on the service fees, which includes installation fees and training fees, actually incurred.

To further enhance its efficiency, the Division of Law Enforcement and Safety now seeks Board approval to purchase additional software modules under the Master SunGard contract. These additional modules, which are described in the agenda materials, will allow Law Enforcement to do things such as: access the records management database from the field through wireless networks; track the purchase and distribution of law enforcement equipment (e.g., guns, tasers, and handcuffs) so as to better keep track of the life cycle of such equipment; track mileage, vehicle issues and scheduled maintenance of police vehicles; track applicants for jobs within the Division of Law Enforcement; and authorize five additional user licenses so five more officers can access the software simultaneously.

The cost of these additional modules is \$41,932. Since this is an amendment to the contract originally approved by the Board, Mr. Parham brought the matter to the Board for approval.

Chairman Warr called for a motion to approve the amendment as described in the agenda materials and presented by Mr. Parham. Mr. Lister so moved. Mr. Hubbard seconded the motion. The vote was taken, and the motion passed.

E. S.C. Energy Office

Mr. Parham said that on December 15, 2008, the Board authorized USC Aiken to apply for a loan from the State Energy Office in the amount of \$440,000 to replace a 240-ton centrifugal chiller in the Science Building with a frictionless centrifugal chiller, and to retrofit lighting in the Science Building and the Etherredge Center. The loan was approved at an interest rate of 3%. Following Board approval, USC Aiken sought bids for these construction projects, and the qualified low bidder for the chiller came in \$124,123 lower than anticipated.

USC Aiken then approached the S.C. Energy Office about using these funds for a new project – installation of two new energy recovery head pipes in the natatorium to reduce both the electric and gas usage in the natatorium. The Energy Office agreed that project met the requirement for energy conservation and therefore qualified as an appropriate expenditure of the funds previously approved for loan by the Energy Office to USC Aiken. USC Aiken then bid the heat exchanger project, awarded the project to the low bidder and completed the project. Since the project was less than \$250,000, Board approval was not required.

The total value of all three projects at USC Aiken – the chiller in the Science Building, the lighting

in the Science Building and the Etherredge Center, and the heat exchangers in the natatorium – totaled \$437,939.28. As a result, USC Aiken seeks Board approval to amend the terms of its loan agreement with the S.C. Energy Office to reduce the total amount of funds being borrowed from \$440,000 to \$437,939, and to modify the payment obligation accordingly.

Chairman Warr called for a motion to approve amending the terms of the USC Aiken loan agreement as described in the agenda materials and presented by Mr. Parham. Mr. Loadholt so moved. Mr. Hubbard seconded the motion. The vote was taken, and the motion passed.

F. Alumni Association

Mr. Parham explained that for several months, under the leadership of former Alumni Association President Lee Bussell and now current Alumni Associate President Eddie Brown and new Executive Director Jack Claypoole, the Alumni Association had engaged in discussions about better assisting the University by expanding the scope of alumni services it is capable of providing. The culmination of discussions between the Alumni Association and the University, he said, is the proposed Services Agreement that is before the Board for approval.

By way of background, Mr. Parham reminded the Board that the USC Alumni Association is a 501(c)(3) non-profit organization existing to support the University. The Alumni Association reports to the University programmatically through Michelle Dodenhoff and the University Advancement Office.

The Services Agreement recognizes that a strengthened and motivated alumni network will benefit the University in a variety of areas, most importantly in the areas of fundraising, student recruitment, University advocacy, as well as enhancing student satisfaction with their college choice. The Agreement also recognizes that the Alumni Association is uniquely qualified to provide these services because it has something no other entity has – that is, possession of the database of USC alumni. Helen Zeigler has had conversations with the State Procurement Office and has been advised that the contract qualifies as a sole source procurement. This is important because the Services Agreement must be an arms-length transaction since the Alumni Association is a separate legal entity, Mr. Parham said.

Under the Services Agreement, he said, the Alumni Association agrees to assume responsibility for the following enhanced services:

1. It will continue to provide what is being called the “core” alumni function of membership processing and communications.
2. It will assist work with the Office of Admissions to recruit highly qualified children of USC graduates through an enhanced Alumni Legacy program, and will fund Alumni and Legacy Scholarships.
3. It will support the Division of Student Affairs in the overall recruitment of qualified students by establishing partnerships with local alumni chapters, planning funding

freshmen receptions and send-off parties.

4. It will work with the USC Career Center to assist students with post-graduate career opportunities by matching students with alumni members working in their chosen field, assisting with arranging Executive Leadership Dialogues, creating mentoring and shadowing opportunities, and developing a senior year boot camp to prepare students for the job search or application for graduate school.
5. It will update the University's information on graduates to assist with fundraising opportunities.
6. It will provide support services to individual college alumni organizations.
7. It will work with the Development Office to develop and expand the number of regional alumni clubs nationwide.
8. It will provide enhanced services for USC events such as Homecoming and the class ring program.
9. It will enhance the advocacy efforts of the alumni on behalf of the University through a strengthened and better-informed Carolina Action Network.

Mr. Parham said that the term of the proposed Services Agreement is five years beginning on a date mutually agreed upon by the Alumni Association and the University's Chief Financial Officer, Ed Walton. That date will be connected to the construction of the new Alumni Center, according to Mr. Walton.

In exchange for these services, the University agrees to pay the Alumni Association the sum of \$2,527,570 annually during the term of the Services Agreement, inclusive of all personnel costs. Payment will be made in equal quarterly installments.

Even though this agreement is a sole source procurement, Mr. Parham noted, it is still subject to the State Procurement Code, which means that there must be cost and pricing data to support the services being provided and the amounts being charged the University for each of those services. Mr. Claypoole has developed those figures for the Alumni Association.

Significantly, Mr. Parham said, the agreement provides that the University may terminate the agreement at any time upon notice to the Alumni Association.

Chairman Warr called for a motion to approve the Services Agreement with the Alumni Association as described in the agenda materials and presented by Mr. Parham. In discussion, Mr. Whittle clarified that the University's Chief Financial Officer Ed Walton would maintain the authority to modify non-financial terms on behalf of the University within the parameters of the dollar amount approved by the Board's action. Mr. von Lehe so moved. Mr. Lister seconded the motion. The vote was taken, and the motion passed.

G. Indefinite Delivery Contracts

Mr. Parham presented 13 indefinite delivery contracts for civil and surveying, roofing and geotechnical consultant services valued at \$500,000 each for:

URS Corporation
American Engineering Consultants, Inc.;
Keck and Wood;
Cox and Dinkins
Chao and Associates
Lyon and Associates
Stafford Consulting Engineers
Shepard and Associates
REI Engineers
Terracon Consultants
F&ME Consultants
S&ME Consultants
GS2 Engineering & Environmental Consultants

IDCs are used by the University to have people readily available to address construction needs on campus. The companies were selected through a competitive bid process approved by the state engineer for these two-year contracts.

Chairman Warr called for a motion to approve the indefinite delivery contracts as described in the agenda materials and presented by Mr. Parham. Mr. von Lehe so moved. Dr. Floyd seconded the motion. The vote was taken, and the motion passed.

I. Indefinite Delivery Contracts (Value in Excess of \$750,000)

Mr. Parham presented five indefinite delivery contracts for roofing services at a value of \$1 million for each two-year contract for:

Watts & Associates
Baker Roofing
Aqua Seal & Manufacturing
I&E Specialties
CCR

Chairman Warr called for a motion to recommend approval by the full Board of the indefinite delivery contracts in excess of \$750,000 as described in the agenda materials and presented by Mr. Parham. Mr. Hubbard so moved. Mr. Loadholt seconded the motion. The vote was taken, and the motion passed.

II. Higher Education Revenue Bonds Resolution – USC Columbia Housing Projects

Associate Vice President for Business and Finance Leslie Brunelli requested the Board's approve of a Higher Education Revenue Bond Resolution authorizing up to \$41,000,000 for the purpose of obtaining financing for the renovation of the Women's Quad and South Tower dormitories on the Columbia Campus. The authorized amount will provide funding to complete the projects and the amount necessary for capitalized interest and issuance costs associated with the bonds. The University's intent is to service these bonds with housing revenues, she said. The resolution was prepared by the Nexsen Pruet law firm.

Chairman Warr called for a motion to recommend approval by full Board of the Higher Education Bond Resolution authorizing up to \$41 million for the purpose of financing for renovations as described in

the agenda materials and presented by Ms. Brunelli. Mr. Hubbard so moved. Dr. Floyd seconded the motion. The vote was taken, and the motion passed.

III. Comprehensive Annual Financial Report for the year ended June 30, 2012

Chief Financial Officer Ed Walton presented the Board with a printed copy of the Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2012, which he indicated also was available on the Board Portal. The introduction section of the CAFR – a compilation of introductory material, financial statements and statistical information – included communication from the President, information on Focus Carolina and a letter of transmittal from the CFO to the President and the Board detailing financial information and highlights from the prior year. Mr. Walton noted that the financial statements are the system documents audited by Elliott Davis, while the statistical section provides 10 years of system data on financial trends, debt capacity, demographic and economic information and operating details that include enrollment numbers, tuition and fees, and faculty and staff counts. Mr. Walton's PowerPoint presentation included three slides summarizing net assets, operating revenues and expenses, non-operating revenues and changes in the net assets. He then presented several slides summarizing the University's debt update, indicating the bond indebtedness by category and by campus before summarizing financing needs through FY2017 including a summary of the projects covered by the 2013 Higher Education Revenue Bond issuance.

IV. Computer Security

Vice President for Information Technology and Chief Information Officer William F. Hogue reported on computer security at the University. Dr. Hogue informed the Board that the University had launched SecureCarolina, a comprehensive series of projects, to focus on information security, privacy, and compliance. SecureCarolina is aligned with larger state and federal efforts to safeguard data and online transactions. The University's initiative will include user education and training, strengthening applicable University policies and processes, and review and remediation of current server and storage environments. It has a 24-month time frame with one-time and recurring expenditures of up to \$2 million.

V. Proposed Bylaws Update

Chairman Warr noted that on December 10 Trustees were e-mailed Draft 5 of the proposed changes to the Board Bylaws. The draft reflected recommendations resulting from discussions during the Executive Committee's October 26 meeting. Changes are reflected in red ink and strikethroughs. The other change from the Executive Committee's October meeting included removal of a proposed new article detailing individual responsibilities of Trustees. There also were significant proposed amendments to

the Bylaws of the Board of Visitors for Board consideration.

Mr. Jones noted that the provisions detailing individual responsibilities of Trustees were proposed to protect individuals and the Board and that it troubled him to throw out the section as a whole. “We were advised that they have significant value,” he said. Mr. Williams questioned whether such provisions create additional liability. Mr. Cofield added “it doesn’t look good to reject something recommended by our attorney” and perhaps a balance can be identified. Mr. Hubbard recommended defining fiduciary in the bylaws as a compromise. In further discussing the section, Mr. Whittle noted that flexibility was needed while eliminating liability. Mr. Allen requested more discussion about personal liability of trustees.

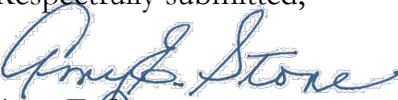
Chairman Warr requested Trustees to review the latest draft and said that the committee will schedule another meeting to further discuss the proposed changes before voting to send them to the full Board for consideration.

VI. Other Matters

VII. Adjournment

Since there were no other matters to come before the Executive Committee, Chairman Warr declared the meeting adjourned at 2:30 p.m.

Respectfully submitted,


Amy E. Stone
Secretary