

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

Called Executive Committee

August 8, 2014

The Executive Committee of the University of South Carolina Board of Trustees met at 10:05 a.m. on Friday, August 8, 2014, in the Board Room at 1600 Hampton Street.

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

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

Also present were faculty representative Dr. James H. Knapp and student representative Lindsay Richardson.

Others present were: President Harris Pastides; Secretary Amy E. Stone; Chief Operating Officer Edward L. Walton; General Counsel Walter "Terry" H. Parham; Chief Financial Officer Leslie Brunelli; Vice President for Student Affairs Dennis A. Pruitt; Vice President for Information Technology William F. Hogue; Vice President for Human Resources Chris Byrd; Vice President for Development and Alumni Relations Jancy Houck; Vice President for Facilities and Transportation Derrick Huggins; Athletics Director Ray Tanner; Chief Communications Officer Wes Hickman; Associate Vice President for Business Affairs, Division of Administration and Finance, Helen T. Zeigler; University Foundations Executive Director Russell H. Meekins; Executive Director, Audit and Advisory Services, Pam Doran; Executive Director, Office of Economic Engagement, William D. "Bill" Kirkland; Director of State Relations Trey Walker; Director of Government and Community Relations and Legislative Liaison Shirley Mills; Executive Assistant to the President for Equal Opportunity Programs Bobby D. Gist; Senior Vice Provost and Dean of Graduate Studies Lacy Ford; Chief of Staff, President's Office, J. Cantey Heath Jr.; Palmetto College Chancellor Susan A. Elkins; USC Upstate Chancellor Thomas Moore; USC Aiken Chancellor Sandra J. Jordan; Associate Vice President for Administration and Finance and Medical Business Affairs Jeff Perkins; College of Arts and Sciences Dean Mary Anne Fitzpatrick; Deputy Athletics Director Charles

Waddell; Executive Associate Athletics Director Kevin O'Connell; Chief Financial Officer, Athletics Department, Jeff Tallant; Senior Associate Athletics Director, Development and Gamecock Club, Jeff Crane; Director of Facilities Design and Construction Jeffrey D. Lamberson; Director of Academic Programs, Provost Office, Kristia H. Finnigan; University Educational Foundation Chairman C. John Wentzell; University Development Foundation Chairman Joseph Reynolds; General Manger of Colonial Life Arena Lexie Boone; wife of Board member Miles Loadholt, Ann Loadholt; USC Alumnus Matt Fligg; University Technology Services Production Manager Matt Warthen; and Board staff members Debra Allen and Terri Saxon.

I. Call to Order

Chairman Warr called the meeting to order and 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 Warr welcomed new Board member Paula Harper Bethea, noting that she was the Alumni Association President and would be with the Board for the next two years. He also noted that her husband, Bill Bethea, was a past member of the Board of Trustees.

Mr. Hickman introduced Jamie Self with *The State* as the only member of the news media in attendance.

Chairman Warr stated that there was a personnel matter appropriate for executive session, as well as the need to receive legal advice. Chairman Warr called for a motion to enter Executive Session. Mr. Lister so moved and Mr. Loadholt seconded the motion. The vote was taken and the motion carried.

Chairman Warr invited the following persons to remain: Trustees, President Pastides, Secretary Stone, Mr. Parham and Mr. Byrd.

Executive Session

Return to Open Session

II. Contracts

Chairman Warr called on Mr. Parham to present contracts that required approval.

A. Indefinite Delivery Contracts

1. GMK Associates, Inc.
2. Mechanical Design, Inc.
3. RMF Engineering, Inc.

4. Swygert & Associates, LTD

On behalf of the Facilities Department, Mr. Parham said that the University sought approval of four indefinite delivery contracts for mechanical engineering services. The University uses Indefinite Delivery Contracts as a way to have companies readily available to respond to campus construction projects and needs in a timely manner.

The terms of the contract for each of the four companies listed in the agenda materials are identical and are established by the State. The contract term is two years. During this time period, the maximum amount of work that can be performed by any one company cannot exceed \$500,000 and the maximum amount of work that any one company can perform on any one project cannot exceed \$200,000; all regulated by the State Engineer. The University is not under any obligation to give any of these companies a certain amount of work, or any work at all. The companies are merely on call if needed.

Chairman Warr called for a motion to approve the four Indefinite Delivery Contracts 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 carried.

B. Campus Televideo, Inc.

Mr. Parham explained that at the June Board meeting, an agreement was approved with Campus Televideo, Inc. to provide cable television service on the USC Columbia campus. A one-year contract valued at \$382,788 was approved. Shortly after Board approval, Campus Televideo came back and offered to add high definition (HD) service to the contract, which is the norm in the industry and would improve dramatically the resolution of the viewing quality for our students. The cost of adding HD service to the University's contract is \$11,000. Routinely this would not be brought to the Board; however, since the Board had just approved the cable contract six weeks ago, the University was requesting the amendment to allow HD service to be added for a total cost for campus cable television service for the coming year of \$394,107.

Chairman Warr called for a motion to approve the amended contract with Campus Televideo, Inc. 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 carried.

C. AIG Accident & Health

On behalf of the English Program for International Students (EPI), Mr. Parham said that the University sought approval of a contract with a company named AIG to provide health insurance to EPI students. All international students are required to have health insurance while attending the

University. Upon approval of this contract, EPI students will have the option of purchasing health insurance through the University with AIG, or those students can provide proof of insurance through another source.

This is a one-year, flow-through contract. EPI students pay the insurance premium fee to the University at the same time they pay their tuition and other fees. The University then remits the money collected to AIG, which issues the insurance policy and coverage to the student.

The annual student fee is \$1,220. The EPI program estimates that approximately 500 EPI students will purchase the insurance from AIG. Thus, the estimated value of the contract is \$610,000, again, paid by the EPI students. Mr. Parham added that the exact contract was approved one year ago at an annual cost of \$1,020, which had increased as a result of the Affordable Care Act.

Chairman Warr called for a motion to approve the contract with AIG Accident & Health as described in the agenda materials and presented by Mr. Parham. Mr. Lister so moved. Dr. Floyd seconded the motion. The vote was taken and the motion carried.

D. Fund Raisers, Ltd.

As part of the planned improvements for the black-top area surrounding Williams-Brice Stadium, Mr. Parham said the Athletics Department will be creating the Springs-Brooks Plaza in the northeast corner at the intersection of George Rogers Boulevard and Bluff Road. As part of the development of that Plaza, the Athletics Department has created a commemorative brick campaign in which Gamecock fans will have the opportunity to purchase bricks engraved with their names. These bricks will be installed in the Springs-Brooks Plaza, much like the bricks alumni can purchase from the Alumni Association for installation on the Horseshoe.

To get started with the brick campaign, Mr. Parham explained that in June the Athletics Department, working with the USC Purchasing Department, developed and issued an RFP seeking companies interested in providing the engraving and associated services for the brick campaign. The Athletics Department contacted schools in the Southeastern Conference (SEC) and other conferences that had done comparable projects in order to identify vendors that have direct experience handling similar campaigns. Three companies responded. After evaluating the responses, the selection team chose Fund Raisers, Ltd.

Fund Raiser has handled similar projects for 46 universities and professional sports teams including the University of Georgia, LSU, Mississippi State University, Kansas State University, TCU and Baylor.

So, the Athletics Department is now seeking Board approval of an agreement with Fund Raisers, Ltd. under which Fund Raisers will provide a full range of services for the brick campaign. These services will include:

- Creating a web-site for the campaign
- Creating an online ordering system with a link from the Athletics Department website
- Creating a virtual brick website where a Gamecock fan can create their personal message and view an image of the message on a brick so they can see how it looks before they finalize their purchase
- Creating a virtual brick locator service where a Gamecock fan can locate bricks at the Springs-Brooks Plaza
- Establishing and maintaining a customer service call center that will provide customer service eight hours per day, five days per week
- Processing all customer orders and payments, and providing the Athletics Department monthly financial reports and supporting documents
- Performing all engraving services and shipping engraved bricks to the Athletics Department
- Remitting all monies due to the Athletics Department on a monthly basis.

Also, in addition to selling engraved bricks for installation at the Springs-Brooks Plaza, Fund Raisers also will sell replica bricks in the event a customer wants a duplicate to keep personally, and replica display cases in which to keep the brick.

Under the contract, the Athletics Department will be responsible for providing Fund Raisers with the bricks to be used, paying a one-time fee of \$6,500 to cover the cost of website design and start-up costs, and marketing the campaign. The Athletics Department also will be responsible for installing the engraved bricks in the Springs-Brooks Plaza.

Upon approval of this contract, the Athletics Department hopes to kick-off the campaign this month, and it will continue to sell bricks through April 15, 2015. All bricks will be installed next summer and the Plaza project will be completed in time for the 2015 football season.

The cost of purchasing a brick will be \$200 for Gamecock Club members and \$255 for non-Gamecock Club members that will include a 2015 Gamecock Club Roost membership, which costs \$55.

Fund Raisers will charge the engraving, shipping and other fees outlined in the contract. These fees are estimated at between \$30 and \$40 per brick, based on a sliding scale depending on the number of bricks sold. After these fees are charged, the remaining funds – approximately \$160 per brick – will be

remitted to the Athletics Department. The amount of money the Athletics Department will make on the brick campaign will of course depend on the number of bricks sold. If, for example, 3,000 bricks are sold, Athletics estimates it will earn approximately \$480,000.

Trustee Mark Buyck asked why the matter had not come before the Intercollegiate Athletics Committee. Chairman Warr responded that it was a contract and thus it was appropriate that it come before the Executive Committee. Mr. Buyck agreed that members of the Intercollegiate Athletics Committee, except for himself since he did not like engraved bricks, would have approved the contract.

Chairman Warr called for a motion to approve the contract with Fund Raisers, Ltd. as described in the agenda materials and presented by Mr. Parham. Mr. Lister so moved. Dr. Floyd seconded the motion. The vote was taken and the motion carried.

E. Springer Agreement

On behalf of the Thomas Cooper Library, Mr. Parham said that the University sought approval of a license agreement with Springer Customer Service Center to obtain internet access to a select list of more than 1,500 online journals for all faculty, staff and students on the Columbia campus.

The term of the agreement is for five years, ending December 31, 2018. The total cost of the contract is \$2,861,112 paid for with the Library's materials budget. The library is a member of the Carolina Consortium – a group of libraries in North and South Carolina – which have banded together to negotiate a reduced rate for access to selected online journals.

Mr. Parham responded to a question from Mr. Cofield about the lack of an indemnification clause in the license agreement. He explained that as a state agency, the University is unable to indemnify third parties, thus third parties often will not indemnify the University.

Chairman Warr called for a motion to recommend that the full Board approve the license agreement with Springer Customer Service Center 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 carried.

F. Greenville Health System-USC School of Medicine Greenville

Mr. Parham said this agenda item was a housekeeping matter involving the Greenville Hospital System and the USC School of Medicine Greenville. The Master Memorandum of Understanding (MOU) between the USC School of Medicine Greenville and the Greenville Hospital System requires annual addenda confirming the cost of the professional services and non-personnel expenses to be provided by the Greenville Hospital System to the School of Medicine. The Master MOU further requires

that the cost of these services be within the budget for the School of Medicine approved annually by the University's Board of Trustees.

So, the University was seeking approval of the Addendum for Fiscal Year 2014-2015 that estimates – consistent with the budget approved by the Board – that for the coming year, the cost of services provided by the Greenville Hospital System to the School of Medicine is approximately \$13,459,092.

Chairman Warr called for a motion to recommend that the full Board approve the addendum as described in the agenda materials and presented by Mr. Parham. Dr. Floyd so moved. Mr. Lister seconded the motion. The vote was taken and the motion carried.

G. McNair Foundation Gift Agreement

Mr. Parham said that the University sought approval of an amendment and restatement of the McNair Scholars Gift Agreement. This amendment was requested by Mr. and Mrs. McNair. Mr. Parham reminded the Board that on April 30, 1998, it approved a \$20 million gift from Mr. and Mrs. Robert and Janice McNair to establish the McNair Scholars program. Under the terms of the original Gift Agreement, the McNair Foundation committed to set aside \$2 million per year for 10 years or the date on which the Fair Market Value (FMV) of the fund equals \$20 million. The original Gift Agreement further provided that, within five years of the death of the latter of Mr. Robert McNair and Mrs. Janice McNair, or if later, when the FMV of the fund equals \$20 million, the balance of the fund will be transferred to the USC Foundation to perpetuate the McNair Scholars Program at the University.

Pursuant to the original Gift Agreement, the McNair Foundation has been transferring \$1.5 million per year to the USC Foundation for the award of 20 McNair Scholars awards of \$12,000 annually for four years, and five McNair Finalist awards of \$8,000 annually for four years.

The Agreement was amended in 2007 to:

- Recognize an additional set aside commitment of \$3,060,000 from the McNairs to the McNair Scholarship Fund
- Provide that once the FMV of the McNair Fund exceeded \$30 million, the McNair Foundation will transfer to the USC Foundation annually the greater of \$1.5 million or 5 percent of the corpus of the fund to be used for the McNair Scholars program
- Increase the amount of the McNair Scholars award to \$15,000 annually for four years
- Increase the amount of the McNair Finalists award to \$11,000 annually for four years.

Mr. Parham said that Board approval is sought for a restatement of the Gift Agreement that incorporates the 2007 amendment to create a single document instead of a series of documents and to include additional changes.

The additional changes for which Board approval is sought:

- Rename the “McNair Finalists” as “Horseshoe Scholars.” This is requested to eliminate the confusion caused by the designation “finalist” that some people misunderstood to mean that the students were runners-up and did not receive scholarships. The Horseshoe Scholars designation elevates the status of these worthy students.
- Provide that the corpus of the McNair Foundation funds set aside for the McNair Scholars Program will be transferred to the USC Foundation within five years of the death of the latter of Mr. and Mrs. McNair, or if later, when the FMV of the fund equals \$30 million.
- Provide that the McNair Foundation may review and revise the Agreement every five years.

In response to a question from Mr. Fennell, Mr. Parham said that as of January 1, 2014, the FMV of the McNair Scholars Fund was \$24,067,000. He further indicated that the new dollar amounts went into effect for students receiving scholarships for Fall 2014.

Chairman Warr called for a motion to recommend that the full Board approve the new amendment and restatement of the Gift Agreement as described in the agenda materials and presented by Mr. Parham. Dr. Floyd so moved. Mr. Loadholt seconded the motion. The vote was taken and the motion carried.

H. Academic Partnerships, LLC

Mr. Parham said that on October 5, 2012, the Board approved an agreement between the University and Academic Partnerships, LLC under which Academic Partnerships now markets and provides online access to undergraduate and graduate courses designated and developed by the University. These are degree credit courses. At the undergraduate level, these courses are connected with Palmetto College.

As a corollary to this existing agreement, Mr. Parham said the University sought Board approval to contract with Academic Partnerships to provide non-degree credit Specialization (Certificate) Program courses. As before, Academic Partnerships will convert education materials developed by the University to an online format and market these non-degree credit certificate courses.

Under the proposed five-year agreement, Academic Partnerships will receive 50 percent of the tuition and fees collected from students it recruits directly. For certificate courses offered through a host institution, the University and Academic Partnerships will split net revenues evenly after deductions for

fees and costs charged by the host institution. In response to questions, President Pastides explained that these are considered continuing education courses that someone not enrolled in a degree program could take online.

Chairman Warr called for a motion to recommend that the full Board approve the additional contract with Academic Partnerships, LLC 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 carried.

I. Global Spectrum, LP

On behalf of the Athletics Department, Mr. Parham said that the University sought approval of a contract with Global Spectrum, LP. For background, Mr. Parham said that in 2007, the Board approved an agreement between the Athletics Department and Global Spectrum, LP for the management of the Colonial Life Arena (CLA). That agreement was for a seven-year term that expired June 30, 2014. Under that agreement, the Athletics Department paid Global a monthly management fee of \$16,667, plus all salaries and fringe benefit costs of all Global employees working at the arena, plus arena operating costs and expenses, plus possible incentive fees based on revenues generated.

Athletics had been intending to enter into a contract with a vendor to manage the CLA for the next few years; but in May of this year, Coach Tanner and his financial team decided that the Athletics Department could save money by managing the arena in-house rather than contracting out that service. They made that decision based on a number of factors. First, a review of the revenues being generated by the CLA versus the operating costs indicated that a savings could be realized. Second was the conversion of Carolina Coliseum into a basketball practice facility for the men's and women's basketball teams. As a result, the 30 or more events that the Coliseum hosts would be transferred to the CLA, thereby decreasing the number of days that the CLA would be available for commercial events and the Coliseum's in-house management staff would be available to assume management responsibilities for the CLA.

Managing the CLA is a big undertaking. So, in order to ensure that there is a seamless transition in the management of the arena, the Athletics Department was seeking Board approval to extend its contract with Global Spectrum under the following terms and conditions:

- The term of the extension is six months, with the Athletics Department having the right to extend for an additional six-month period if it deems necessary. However, the term of the agreement cannot extend beyond June 30, 2015.
- During the extension period, Global will continue to be responsible for managing the operation

of the CLA, except that Global will be required to do so in consultation with the individual designated as the University's Athletics Facilities Manager, and all decisions regarding CLA operations and contracting for events will be subject to the prior approval of the Athletics Facilities Manager and the Athletics Department. In this way, the Athletics Facilities Manager will get hands-on experience.

- During the extension period, the Athletics Department has the right to replace any Global employee with an Athletics Department employee, thereby reducing the amount to be paid Global under the contract. The Athletics Department has already started an evaluation of the staffing needs of the arena and will begin transitioning its employees into arena positions.
- During the extension period, Global will be paid a monthly management fee of \$10,000, rather than the \$16,667 per month it received previously.
- Global will have the opportunity to earn an incentive fee as follows:
 - If the contract is extended for only six months, Global can earn 15 percent of revenues generated between \$650,000 - \$700,000; and 20 percent of revenues generated above \$700,000
 - If the contract is extended for one year, Global can earn 15 percent of revenues between \$1,300,000 - \$1,400,000; and 20 percent of revenues generated above \$1,400,000
 - Revenues remain defined as in the existing contract, and do not include any athletics related revenue, suite revenue, parking revenue or taxes. Also, if Global's manager at the CLA is replaced, any revenue resulting from events booked thereafter will not be included in the calculation of revenue for purposes of determining incentive fees.

In response to Mr. Allen's question about projected savings once the University begins to manage CLA, Mr. Tallant said a savings of \$500,000 had been conservatively projected. Mr. Whittle asked about the impact on revenue of the University assuming recruitment responsibilities for bringing entertainment acts to perform at the venue. Mr. Tallant indicated that the ability to book major concerts and draw big shows to the CLA was a small risk now that the CLA had become an established venue. Mr. Fennell noted the time delay from when Global's contract ended and when the extension was brought to the Board for approval.

Chairman Warr called for a motion to recommend that the full Board approve the extension of the Global Spectrum agreement as described in the agenda materials and presented by Mr. Parham. Mr. Lister so moved. Dr. Floyd seconded the motion. The vote was taken and the motion carried.

III. OneCarolina Update

Chairman Warr called on Dr. Hogue to provide an update on the OneCarolina Project. Dr. Hogue said he was pleased to continue a good news theme in reporting on the project. He began by providing Board members an overview of the successful 18-month Banner Phase I Student Implementation. He explained that Banner included several large computing systems including those serving Admissions, Student Records and Registration, Financial Aid and Accounts Receivables.

During the first year of the Banner Student implementation, more than 46,000 students were registered in Fall 2013, with more than 43,000 in Spring 2013, more than 14,000 in Summer 2014, and more than 38,000 pre-registered for Fall 2014. Banner handled more than 150,000 financial aid applications and updates for 2013-2014, with nearly half a billion dollars awarded across the system. On the first day of class in Fall 2013, more than 32,000 students logged in.

Dr. Hogue said that as the implementation continues into 2016, a series of activities designed to continue to refine, improve and enhance the University's Banner System to support the academic enterprise and USC students. By August 2015, the system will go live with the PeopleSoft Finance systems; and by January 2016, the University will go live with Human Resources systems concluding the OneCarolina Project.

Chairman Warr stated that this report was received as information.

IV. Other Matters

There were no other matters to come before the committee.

V. Adjournment

Since there were no other matters to come before the Executive Committee, Chairman Warr declared the meeting adjourned at 11:45 a.m.

Respectfully submitted,

Amy E. Stone
Secretary