

MINUTES
COMMITTEE ON FINANCE AND FACILITIES
JANUARY 7, 2016
9:30 A.M.
MAIN CONFERENCE ROOM
SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION
1122 LADY STREET, SUITE 300
COLUMBIA, SC 29201

Committee Members Present

Commissioner Hood Temple, Chair
Commissioner Dianne Kuhl
Commissioner Paul Batson
Commissioner Louis Lynn
Commissioner Clark Parker
Commissioner Kim Phillips

Mr. Rick Kelly
Mr. Kevin O'Connell
Mr. Jeff Tallant
Mr. Ray Tanner

Guests Present

Chairman Tim Hofferth
Commissioner Allison Dean Love
Commissioner Bettie Rose Horne
Commissioner Charles Munns
Ms. Beth Bell
Mr. Derek Gruner

Staff Present

Mr. Gary Glenn
Ms. Yolanda Myers
Ms. Julie Carullo
Ms. Carrie Eberly
Ms. Trudy Norton
Ms. Vickie Pratt

For the record, notification of the meeting was made to the public as required by the Freedom of Information Act.

I. Call to Order

Commissioner Temple called the meeting to order at 9:45 a.m. Ms. Myers introduced guests in attendance.

II. Approval of Minutes of Meeting on December 3, 2015

A motion was made (Batson), seconded (Parker) and carried to approve the minutes of the December 3, 2015 meeting.

III. Interim Capital Projects

The following projects were presented and discussed:

A.) USC Columbia

1. USC Football Operations Facility Construction

Mr. Glenn presented the project stating that the University requests approval to begin Phase I to construct a new \$50,000,000 Football Operations Facility with funding of \$3M coming from athletic operating funds and private donations with the remainder funded by athletic revenue bonds at \$47M. He stated that the new facility will be located in Gamecock Park adjacent to the Indoor Practice Facility and will be approximately 105,000 gsf. It will be used to consolidate all training, coaching, operational, and administrative activities associate with the football program. He further shared that the building

will contain public spaces; locker, meeting and weight rooms; a nutrition area, training rooms with hydrotherapy; equipment storage areas, and administrative and coaches offices. Site utilities, parking, and associated landscaping and hardscaping will also be included as part of the \$50M.

Mr. Glenn shared that this project is slightly different than most because they are requesting 2% of the estimated total cost of the project to do the Phase I A&E and that the standard is 1.5%. He explained that the reason for the increase comes from two areas of their planning that caused that number to be slightly higher. Mr. Glenn stated one reason is because they chose to use a different construction method. Mr. Glenn asked Mr. Derek Gruner from the University of South Carolina to make comments on the process.

Mr. Derek Gruner, Director of Facilities at the University of South Carolina, shared that Construction Manager at Risk (CMR) is an alternative to the standard Design-Bid-Build state process and that CMR is authorized by the state Engineer's Office as an alternate delivery method. Mr. Gruner explained that it allows an agency to go through a solicitation and selection process based on qualifications and to some extent, fees to select a CMR around the same time they choose an architect to begin design. Mr. Gruner further explained that it brings those people to table to work together at the beginning of the project. He continued to explain that the CMR prices the design as it evolves and also works with the architect to achieve the end results. Mr. Gruner shared that the price of the building makes it complex, which also makes it a good candidate for this process. He further shared that CMR fees end up being about 2% which at the front end of the process (Phase I).

Commissioner Lynn asked why not cover their risk under Guaranteed Maximum Price (GMP). Mr. Gruner stated that the CMR will ultimately produce a GMP for the University when the drawings are about 90% complete which will really be in Phase II. He shared that the CMR hires the general contractor who will competitively bid on sub-contractors that will establish the GMP and will work together during the entire process.

Mr. Glenn shared that the history with CMR indicates that the project normally comes in on time, on budget, and with fewer problems. He further shared that other parts of the additional cost is anticipatory because there may be some geotechnical issues with the land. Mr. Glenn shared that the operating cost for this building has not yet been estimated and will be done as part of the A&E, (Phase I).

Commissioner Kuhl commended the University on bringing in the CMR and Architect at the same time and thought that it was a great approach but that she had concerns about lack of private donations. She asked for clarification on plans for Revenue Bonds. Mr. Rick Kelly, from the University of South Carolina, stated a lot of time is given by the President, Athletic Director and Provost of the University fundraising, but there is competing interests for those dollars.

Mr. Ray Tanner, from the University of South Carolina, stated that he recently met with 12 donors and asked for \$1M from each of them. He further stated that the University is very aggressive and quietly embarking on a \$25M campaign for this project and is probably at this point just shy of \$5M. He hopes that it will continue as they move forward and feels that the University will get in a fairly good place and will be working hard to gather those funds to help with this project.

Commissioner Kuhl asked when they come back for Phase II, after receiving donations that are needed, will the University drop the Revenue Bonds request. Mr. Kelly stated that there is a second part to gifts and the Athletic staff will be offering the best financial position they have and will use all the cash they have upfront and go from that perspective.

Commissioner Kuhl asked how long will it take to pay back the \$50M. Mr. Kelly stated that they will finance it for 30 years. Ms. Kuhl stated that one of her concerns with athletic facilities nationwide is that we build this state-of-art facility and three years from now it will be obsolete because others will feel the

need to get better facilities and asked how long the facility is going to last. Mr. Tanner stated that they hope the facility will last a long time and that their football operations center presently is not very good. He shared that they are fragmented, their coaches are at one end of the center and operations at other end of the center. He stated that the new football facility is very important to them. He added that repurposing of the existing space will give them some opportunities to generate additional revenue as they go forward. Mr. Tanner stated that he thinks it might have to be a global initiative to slow things down and the competitive race does affect you tremendously.

Mr. Kelly stated when athletes come to their campus, not only are they looking at the facility of the sport they participate in, but they look at where they live, eat, and go to classes. He further stated that the University has a pretty good record of using the facilities they develop. One problem they face is that they were so far behind when they started and there were so many challenges that they had to deal with. He added that the university's master plan has focused on raising the level of their athletic facilities.

Commissioner Lynn asked if the realignment of the SEC conference helped. Mr. Tanner stated that it did help them initially but they added to two teams so it was a little less. He stated that they are in a good place and that the help from the SEC Network has been good for them and has given them an opportunity to help the University. Mr. Tanner also stated that annually they were giving the University 3.6% of the total athletic revenue for academic scholarships. He stated that the revenue from the SEC network had given them an opportunity to increase that to about 5.4% this year.

Mr. Kelly stated that there are 200-250 athletes at the University that get some form athletic scholarship and that the University requires the Athletic Department to pay those scholarships almost \$13.5 million. He further shared on top of the \$13.5 million, the athletic department also gives another \$5 plus million to the University for Scholarships that go to traditional students.

Commissioner Batson asked what is being used now that you are replacing and how does this proposal fit into the master plan of the University. He also asked if the project was not approved, what impact would it be? Mr. Tanner stated that currently, football coaches are in the north end of the stadium in the Floyd building. The football meeting rooms, coaches spaces, and weight rooms are in the south end of the stadium and training rooms are in the west side, so they are very fragmented. Those entities will all move into the new space. He further stated that this will give the University an opportunity to have more space in the stadium that can support meeting and/or gameday activities. Mr. Tanner stated that if the project was not approved, the impact from a recruiting standpoint would be that their commitment to their football operation would not be what everyone else has in the Southeastern Conference. He stated that they did a study on what other institutions have done within the past three years and every school has done something in that capacity to improve their operations. He stated that it is not all about recruiting, but also about the function of the program and getting everyone together where football players can handle their activities.

Mr. Jeff Tallant, from the University, stated that a big part of this is a consolidation to get the football operation center right next to the indoor practice facility so that it becomes the home of the whole football program and is part of the Master Plan for athletics. He stated that they looked at how they would refurbish the Floyd building for more space.

Commissioner Batson asked what other needs that CHE would be asked to look at in the future and who bares the cost of operating the building. Mr. Tanner stated that it was hard to project and potentially they would like to do premium seating on the east side of the stadium which would be a revenue generator that would give them other opportunities.

Commissioner Batson asked that the lack of internal funding for the project be addressed. Mr. Tanner stated that not having premium seats was an opportunity that was missed 25-30 years ago that would have given them an opportunity to have a pool of money. While it may not be in excess of \$100M, it would have been somewhat significant to do some of the things with cash on hand.

Commissioner Batson then asked who bares the cost for operating this building. Mr. Tanner stated the athletics budget bares the cost.

Commissioner Parker asked about the current debt service. Mr. Kelly stated that they are currently at 93% of their capacity and this will take them close to 98%.

Commissioner Kuhl stated that the Committee is not being given an adequate amount of information to make this kind of decision and that this is very frustrating for the members of the committee. She stated that she feels good about the athletic department giving money back to the University, but when she looks at this \$50M, she thinks of what other things they could be doing. Commissioner Kuhl stated that she appreciates them being there to answer questions, but it is very difficult to make a decision on this project with limited information and would love to have floor plans and a final funding plan in order to ultimately make this type of decision.

Commissioner Temple stated that the members of the committee care and are very engaged and that it would enable them to do a better job and institutions to do better job. He stated that a lot of this conversation is not about South Carolina or Clemson, but it seems to be a systemic and more procedural issue as we go forward.

Chairman Hofferth stated that this body is at a crossroad of determining how we best serve the citizens and the tax payers of our state. He added that questions coming from the Committee members are becoming clearer. Chairman Hofferth stated that the members around the table have a passion for trying to make a difference and we are challenging that because they have inherited a situation that is broken. Chairman Hofferth stated that he wants to go record that the current process is broken in every respect and wanted it to be reflected in the minutes. He acknowledged that at the end of the day, our job is to protect the tax payers and families, knowing that costs are sky rocketing, and that there is a lot of work to do, but the vision is getting clearer. Chairman Hofferth stated that the key is not to make an example here, which is a systemic issue, but hopes that the institutions can understand how difficult it is to approve projects with limited information and that what the outlook looks like matters, how it fits overall in the University's budget, how athletics fits in the overall big scheme, what the master plan looks like, and how it's going to be infused based on different revenue models. Chairman Hofferth shared that he felt that we can do it the right way and not in an adverse way if the Commission has the ability to see the whole body of work, master plans, projections, and how it all fits in a much broader sense in order to give legitimate feedback and have added value. Chairman Hofferth further shared that this is a work in process and it will be a defining moment within a year to determine which direction we want to go.

Commissioner Temple stated that as we go forward, if there is any value, we will have to have the information. He stated that our issue is to carry out the job we've been given. He stated that the problem with the system and the protocol is that we don't have the tools and resources to make a difference in 30 or 60 or 90 days in his opinion. He stated that the project before them is a great example of a project that requires a lot of consideration and a process that does not exist at this time and agreed that it would not be fair to change the rules in the middle of game. He stated that in the next several month, we will have lots discussions on what we need to do.

With no further questions, it was moved (Lynn), seconded (Phillips), and voted to approve the USC Columbia project as proposed. Commissioner Lynn requested that it be noted in the minutes that he moved approval since he represents the Research Institutions. Commissioner Kuhl asked that the record show that she supports what the University is doing and supports the University of South Carolina and will not vote against the project but she will not vote for any project again without having full information and is not in support of this process. Commissioner Kuhl then abstained from voting.

Commissioner Phillips shared that the University of South Carolina had answered questions bluntly and were transparent and straight forward during their presentation.

IV. Other Business (Tabled)

As time had expired for the committee, Commissioner Temple asked that presentation of the information items be deferred to the next committee meeting. With no further business, Commissioner Temple adjourned the meeting at 10:55 a.m.

Respectfully submitted,

Yolanda L. Myers
Recorder

**Attachments are not included in this mailing but will be filed with the permanent record of these minutes and are available for review upon request.*