

MINUTES
COMMITTEE ON FINANCE AND FACILITIES
FEBRUARY 4, 2016
9:00 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 Clark Parker (via phone)
Commissioner Kim Phillips (via phone)

Ms. Stacie Bowie (via phone)
Mr. Ralph Byington
Mr. D. Wyatt Henderson (via phone)
Mr. Matt Hogue
Mr. Rein Mungo (via phone)
Mr. Steve Osborne
Mr. Morgan O'Donnell

Members Absent

Commissioner Louis Lynn

Staff Present

Guests Present

Chairman Tim Hofferth
Commissioner Allison Dean Love
Commissioner Bettie Rose Horne
Commissioner Charles Munns
Commissioner Terrye Seckinger
Mr. Derek Gruner

Mr. Gary Glenn
Ms. Yolanda Myers
Mr. Clay Barton
Ms. Julie Carullo
Ms. Carrie Eberly
Ms. Lane Goodwin
Ms. Trena Houpp

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 9:24 a.m. Ms. Myers introduced guests in attendance.

II. Approval of Minutes of Meeting on January 7, 2016

A motion was made (Kuhl), seconded (Batson) and carried to approve the minutes of the January 7, 2016 meeting.

III. Interim Capital Projects

The following projects were presented and discussed:

A.) Coastal Carolina University

1. Brooks Stadium Additions

Mr. Glenn presented the project stating that the University requests approval to increase the budget to allow Phase II to begin. The project was originally brought to us in October, 2015. He stated at that time, it was projected to be a \$19M project to be paid for with revenue bonds from the University. He explained that those revenue bonds are somewhat different. He further explained that we normally assume that athletics will be an auxiliary supported by the revenue

that activity brings but this is not the case at Coastal Carolina and that these bonds are supported by all revenues that go into Coastal Carolina University with the exception of State Appropriations. Mr. Glenn explained that tuition at CCU includes two specific fees that are associated with capital improvement bonds and an athletic fee that is charged to each of the students. Those fees would be part of the funding available for supporting this bond. Mr. Glenn shared that the additions to the stadium are needed since the University accepted an offer to participate as an active member in the Sunbelt Conference that moves them into the Football Bowl Subdivision (FBS). He stated that part of that transition is a requirement for average attendance per year and in order to meet the attendance requirement, the University will have to expand their stadium. He further shared that the project will double the current seating capacity to meet the NCAA FBS requirement. Mr. Glenn stated that the debt will be serviced by additional opportunities through new ticket sales. The stadium will also include suites which will generate revenue. Debt services funds are also set aside for this purpose. He further stated that the existing debt service fee will adequately cover the additional debt and there will be no increase in fees as a result of this project. Mr. Glenn then referred to the representatives from Coastal Carolina University to share additional information and to answer questions the committee might have.

Ms. Stacie Bowie, from Coastal Carolina University, shared that back in October of 2015 when the University embarked on this project, they were not sure how much the additional seats would cost and were not sure of the additional ADA requirements or fan circulation requirements would be. That was the reason they asked for approval to hire to architect. Ms. Bowie stated that the University wanted to come back and share with the Committee the result of that process. She stated that every member of their staff had reviewed the project fully as well as their Board of Trustees. Ms. Bowie explained that they needed to double the size of the stadium in order to meet the seating requirements. She further explained that they found out from the architect that in order to get all of these people into the stadium, which has a very complex footprint, they would need some new entranceways and new ways to direct pedestrians that did not impede their athletes if one becomes hurt. Ms. Bowie continued to explain that currently, if an athlete is injured, they have to have a lot of public safety to assist in holding fans back in order to get their athlete off the field and into their training facility. Ms. Bowie shared that originally when they talked about this project; it was going to be adding additional seating and asked the architect to find a way to put the seats in so that they could stay within their complex footprint. Ms. Bowie also shared that they found out that they needed a lot more concession stands, they needed to double the restrooms and add about 100 bathrooms, which is specifically a requirement, and needed additional fan circulation on the existing side of the stadium. She stated that originally the University was not planning on doing any renovation to the existing side. Ms. Bowie noted that they did add a suite building but they are not doing anything extravagant and that the price is driven by the fact that they have to support a structure that might be taller than if they had land to spread out and the fact that they needed to add structure all over the stadium in order to put the additional seats various places. She shared that they committed to the Sunbelt Conference that they would have 20,000 seats by the beginning of the 2017 season. Ms. Bowie referred to the press release of the Sunbelt conference that indicated what they had to do. She explained that the architect told them what the price would be and they came back to CHE immediately. Ms. Bowie further explained that in order for them to meet the timing for the season beginning August 2017, they have to get through CHE, JBRC and State Fiscal Accountability Authority. She shared that the financing had been submitted to JBRC and they will take up the project and bond at the same time, and that they are working with a compressed timeframe. She further shared that all have been run through the State Treasurers office and they have approval; they have taken it to bond counsel and are ready to go to JBRC for the bonds. Ms. Bowie emphasized that if they do not get through these series of meetings, the next time the SFAA will meet will not be until June 2016.

Commissioner Temple stated that when they considered this matter back in October 2015, Commissioner Kuhl had significant reservations and as a result placed a caveat that the project would come back once that number was identified. He then stated that her concerns were valid. He emphasized that the Commission's concern at this time is a matter with the timing of the issue, as they received the information on January 27, had 5 business days to review it, and the project had since doubled. He further stated that he understood the consequence of what the Committee was being asked to do today. However, it put the CHE in a tough situation when the Commissioners who pay attention to the details get key information 5 days before with a doubled budget and tell the legislature that CHE has done our due diligence in getting this prepared. He further stated that his major concern is with the source of the revenue.

Mr. Byington shared that the project had been thoroughly vetted by the Coastal Carolina Board who has a history of fiscal responsibility and maintaining lower tuition rates across the board and growth in tuition than any other institution in the State. He expressed that it was a very vetted project from that standpoint, and it had that type of a review. He further expressed that the questions and discussions of \$19 vs. \$38 million were had in that Board meeting, and that the university was making the right commitment for the university as a whole. Mr. Byington added that when talking about the move to the Sunbelt, it's not just athletics; it's the profile of the university and the ability of the university to expand the outreach. He stated that the university has historically had a good influence up the northeast corridor and right now the university is getting applications from all 50 states. He referred to exhibit 2 in the information presented to the Committee and conveyed that as far as the debt service and where Coastal is in debt service ratio, Coastal is an extremely strong university. They know for every academic program the return on investment and profitability margin. They do everything as a business.

Commissioner Temple stated that what he would personally like Coastal to talk about is how the revenue source is unique. He further stated that this revenue bond is not traditional and he would like to know about the two sources of fees that come out of tuition because typically when he sees a stadium expansion, he usually sees athletic revenue bonds coming forth, not this type of bond.

Commissioner Temple stated that CHE appreciated the University sharing that this issue has been thoroughly vetted; however, he expressed displeasure in the fact that we have been called on to act on a project that has doubled with only 5 days' notice. He further stated that the level of discomfort is because CHE feels compelled to act because of the time-sensitive nature of the issue. Commissioner Temple then offered a compromise if agreeable with everyone. Commissioner Temple asked for clarification on the date of February 24th, the date the project would go before JBRC for approval. Mr. Glenn stated that Mr. Morgan O'Donnell had information on the project timeline. Mr. O'Donnell noted that the SFAA was scheduled to meet on March 1, 2016 and the JBRC was meeting on February 24th. Commissioner Temple recommended to the committee that they consider this an opportunity to review the information that was provided—the additional plan, the master plan and the academics. He stated that his commitment to Coastal would be that if JBRC's meeting is on the 24th, the Commission would have a special meeting prior to the deadlines, and if it passes it would be considered by the full Commission in a timely fashion so that it won't be hindered. Commissioner Batson stated that he would like to see the financial projections to see what they are looking at 5-10-15 years out, and the balance sheet of the Institution. Mr. Glenn asked Ms. Bowie if she can provide that information to him at her earliest convenience. Ms. Bowie stated that she could provide what JBRC has gotten from bonds in regards to the debt service covered as well as the balance sheet. Commissioner Temple referred to the additional information that was handed out at the meeting and stated that he will need copies of the Brooks Stadium additions and also the Enrollment & Allocation data and he asked Mr. Glenn to make sure if there was anything else that would help with the deliberation, to get it to the committee.

With no further questions, it was moved (Batson), seconded (Kuhl), and voted to defer action of the Coastal Carolina project as proposed, allowing the Committee the opportunity to review the additional information that was provided with the understanding that the committee would meet prior to the February 24th JBRC meeting by special meeting and, if it passes this committee, then the Chairman indicated that he would call a special meeting for it to be considered by the full commission.

B.) College of Charleston

1. Avery Envelope Renovation and Mechanical Systems Replacement

Mr. Glenn presented the project stating that the College requests approval to renovate the Avery Research Center. The Avery Research Center houses the African American History and Culture Center. Mr. Glenn stated that this particular building has moisture intrusion issues. With it being used for history and culture, the moisture was creating a situation that cannot go on. He further stated that the envelope, building exterior, roof and windows are all failing from the result of the moisture, and that is affecting the archival and exhibition materials. Mr. Glenn noted that staff had reviewed the ratings and it supported the request for the \$1.25 million that will be paid for with existing capital project improvement funds.

Mr. Osborne from the College of Charleston shared that the building was built in 1868 and has building failures from the moisture at the windows. Commissioner Kuhl asked if they were surface sealed or barrier walls. That information was unavailable.

Commissioner Batson asked for clarification on where the funds would come from. Mr. Osborne stated that the College of Charleston has a capital improvement fee and the funds currently exist to fund this project. For information purposes only, Commissioner Batson asked for the current balance in College of Charleston's plant fund. Mr. Osborne stated that there is currently \$8 million which is uncommitted.

With no further questions, it was moved (Batson), seconded (Phillips), and voted to approve the College of Charleston project as proposed.

2. McConnell Residence Hall HVAC System Replacement and Renovation

Mr. Glenn presented the project stating that the College requests approval to replace the HVAC system distribution piping and associated major mechanical equipment and air distribution system. He stated that the project will cost approximately \$3.4 million which is to be paid with housing revenues. Mr. Glenn further stated that the HVAC system is 36 years old and is leaking, excessively corroded, and on the verge of catastrophic failure. He added that the project would also include select ceilings, lighting, and plumbing fixtures and would ultimately reduce the cost of maintaining those systems.

Commissioner Batson asked for clarification of where the funds were coming from. Mr. Osborne stated that the funds would come from housing revenues.

With no further questions, it was moved (Batson), seconded (Kuhl), and voted to approve the College of Charleston project as proposed.

IV. Lease Approval

A.) Medical University of South Carolina

1. Fishburne Street Parking Lot (“Hagood Lot”)

Mr. Glenn presented the project stating that the University request approval to renew the lease for the Fishburne Street Parking Lot. He stated that the University currently leases 794 parking spaces used by employees and students. Mr. Glenn stated that the monthly rate was \$31,760 or \$381,120 annually, and will increase 3% each year. He stated that the lease term was June 1, 2016 through May 31, 2021. The total lease cost is \$2.9 million and would be paid for with parking revenues. Staff recommended approval contingent upon the rates and terms being approved by the Department of Administration.

With no further questions, it was moved (Kuhl), seconded (Batson), and voted to approve the Medical University of South Carolina lease as proposed.

V. Other Business

Mr. Glenn presented the FY 2015-16 CHE Quarterly Budget Report and the List of Capital Projects & Leases Processed by staff for December, 2015 and January, 2016.

With no further business, Commissioner Temple adjourned the meeting at 10:40 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.*