

MINUTES
COMMITTEE ON FINANCE AND FACILITIES
JUNE 2, 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 Louis Lynn (via phone)
Commissioner Kim Phillips (via phone)
Commissioner Paul Batson

Members Absent

Commissioner Clark Parker

Guests Present

Chairman Tim Hofferth
Vice Chair Allison Dean Love
Commissioner Terry Seckinger (via phone)
Ms. Beth Bell
Mr. Robby Brown
Mr. Luke Carter
Mr. Brett Dalton
Mr. Aaryne Elias (via phone)
Mr. Brian Gaines
Mr. Derek Gruner

Mr. Charles Hall
Mr. Kim Huff
Mr. Michael Hughes
Mr. Rick Kelly
Ms. Angie Leiding
Ms. Jennifer LoPresti
Ms. Stacey Moore
Mr. Steve Osborne (via phone)
Mr. Rick Petillo
Mr. Dan Radakovich
Ms. Carol Routh
Dr. Marc Tarplee
Col. Ben Wham

Staff Present

Mr. Gary Glenn
Ms. Carrie Eberly
Ms. Yolanda Myers
Mr. Morgan O'Donnell
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 9:40 a.m. Ms. Pratt introduced guests in attendance.

II. Approval of Minutes of Meeting on May 5, 2016

A motion was made (Batson), seconded (Kuhl) and carried to approve the minutes of the May 5, 2016 meeting.

III. Comprehensive Permanent Improvement Plan (CPIP)

Commissioner Temple presented the CPIP and stated that the Committee would have a broad discussion on their role in CPIP and how to move forward in the future so that they can better serve the needs of the stakeholders. Commissioner Temple explained that the projects presented in Year 1 of the CPIP were broken down into two categories. The first category was new construction projects and the second was renovation projects. Year One projects require that the institutions have money

in hand or will have the funding within the next fiscal year and are ready to move forward. Commissioner Temple further explained that Years 2 through 5 present the long range plans of the institutions as they address their facilities needs. Commissioner Temple reminded the committee members that there are two paths a capital project can come through the CHE. The first path is through the CPIP and the second as an interim capital project. An interim capital project could result from a project that just became a priority or a project whose funding had been secured faster than the institution had anticipated. Mr. Glenn shared that this year's CPIP Year One list included 26 projects that represented construction, renovation, and land purchases. Those projects totaled \$143,735,000. In working with the institutions over the last three months, staff moved, with the institution's concurrence, six projects to Year Two totaling \$51,065,000. Mr. Glenn shared that staff also removed from consideration three projects that staff thought the institutions could not move forward with in year one totaling \$24,020,000, and staff removed from consideration the Greenville Tech Demolition project that was approved as an interim capital project at the May 5 Commission meeting. Mr. Glenn added that, because of timing, a project on CPIP may also come as an interim capital project. These actions reduced new projects from 26 to 16 and the associated budgets for these projects from \$143.7M to \$68.6M.

Mr. Glenn recognized Ms. Angie Leidinger from Clemson University and stated that although the CPIP list stands at 16 projects, there was intent to further amend the list of new projects. Ms. Leidinger referred to Mr. Dan Radakovich, Athletic Director at Clemson University, who presented information regarding the Clemson Tennis project. Mr. Radakovich stated that the tennis project had been a part of the master plan that was approved by the Clemson Board of Trustees in October 2013. He added that the plan had not changed, however the financial environment for the master plan had improved. The environment of lower interest rates, projects brought in at or below estimates, and greater than anticipated fundraising were beneficial factors improving the financial environment for the master plan. Accordingly, the tennis project was included as part of the CPIP program in year one. However, questions had arisen from the Commission and, as they would like the opportunity to answer those questions, they requested that the project be moved to year 2 to allow them time to respond and to bring forward the project as an interim project as previously described. Mr. Glenn stated that the result would be that CHE would move the project from CPIP Year 1 to Year 2 with the intent of Clemson bringing the project during the next fiscal year as additional information is provided such as bond capacity, planning, and other information that are now being considered in the Committee's decisions.

Commissioner Hofferth referred to the outline of the discussion that will take place at the 1:00pm full Commission meeting and stated that one of the important links is helping the Commission get clarity as to whether statutes like 59-103-35 still apply. Commissioner Hofferth shared that as CHE has gone through an ad hoc governance committee review, we were forced to go back to our roots and to study and understand the statutes which put CHE in business. The question on the table was that there were two different tracks on where the ultimate accountability rests with factors such as sky rocketing costs, student debt, and industry trends that show a heavy headwind for a lot of institutions in our state. Commissioner Hofferth stated that there is a broader issue that impacts capital projects approval because in looking back over the past 14 months, the Commissioners had approved \$534M in capital projects. Commissioner Hofferth added that the Commission doesn't make the laws, nor funds the laws, but at the end of this capital review process someone was going to own accountability for the decisions. Commissioner Hofferth stated that CHE's role was to represent the greater good and to ensure that the trends nationally and within our state were being

addressed in an efficient and effective way that does not take away from academic excellence while trying to control costs.

Returning to consideration of the CPIP, Commissioner Temple stated that what was being considered was new construction and renovation projects with the exception of the tennis center which had been moved to Year 2 and would be received at a later date as an interim capital project.

Commissioner Temple asked Col. Ben Wham to give a brief overview of the Boat Center Redevelopment project. Col. Wham stated that about 2 1/2 years ago a donor, who was also a Citadel graduate, indicated that he wanted to put the Boat Center back in operation. The College worked with the Corps of Engineers and got a permit to dredge the harbor. He added that the College then looked at a complete renovation of the Boat Center that included taking down the old 1920 house and a maintenance facility and would design the new Boat Center using an in-house architect. Col. Wham stated that the long-term vision for this project was to be a self-sustaining revenue generator for The Citadel.

Commissioner Kuhl referred to the summary page of the supporting documents and asked for clarification as to whether the \$1M in the fund balance was the amount currently on-hand and if the remaining \$2M was pledged. Col. Wham stated that she was correct and that The Citadel obtained a letter from the donor that supports his commitment of \$3M.

Commissioner Batson referred to the objectives and asked how the Boat Center worked in reference to student life at The Citadel. Col. Wham stated that it was a requirement for the Navy and Marine cadets to have a sailing class in open water and to be proficient in that skill. He further stated that it was used for NROTC military development as well as recreational purposes such as sailing events and club sports.

Commissioner Kuhl asked that, on the off-chance something happened to the donor and he could not fulfill his \$3M commitment, was there a contingency plan to make up the difference. Col. Wham stated that at that point the project would stop because they did not want to burden the college with the debt. Commissioner Temple noted that the donor funds were restricted to that specific project.

Commissioner Lynn asked if there was any collaboration with other colleges in the area. Col. Wham stated that the Citadel was in discussions with the boating program coordinators at the College of Charleston regarding resurrecting their boating program.

Commissioner Kuhl referred to the Clemson House Demolition project and asked for clarification as to why the demolition costs were so high. She stated that Mr. Glenn explained to her that the building was tall and was in an enclosed area that was very difficult to reach and there were some historic considerations as well.

Commissioner Kuhl referred to the Blatt Pool Pack project and asked for clarification as to why \$1.3M of the \$4M came from athletic revenues and \$2.7M came from student services operating funds. Mr. Rick Kelly explained that the Blatt PE Center was a facility used for swim team competitions and for student activities as well. Commissioner Kuhl asked for clarification as to whether the members of the community that use the facility were non-profits or patrons. Mr. Kelly explained that there were other community swim teams that used the pool. He added that the Blatt Pool was an Olympic-sized swimming pool and community swimming teams paid a fee for the use of the pool. Commissioner Kuhl asked whether there were any considerations of looking into private donor funds. Mr. Kelly stated that USC did a tremendous job of raising donor funds and a priority was set using those funds. Commissioner Kuhl asked why athletic revenues were only a third of the source of funds. Mr. Kelly explained that athletic revenues were only a third because that

represented USC athletic's use of the facility. Commissioner Kuhl asked for clarification on the type of usage or what percentage of the student population used the pool. Mr. Kelly explained that there were some students that prefer to use the Blatt pool rather than other athletic venues.

Commissioner Kuhl referred to the Ingle Residence Hall Renovation and asked for clarification as to the source of funds listed as auxiliary housing funds. Ms. Stacie Bowie explained that the funds were set aside as a result of refinancing University Place. Money was saved each year in the housing auxiliary account to renovate housing. Ms. Bowie further stated that cash had been set aside in order to do renovations in each housing unit and pledged that there would be no increase the cost of housing related to these renovations.

Commissioner Temple then summarized the changes to CPIP Year 1 projects stating that the actions taken were that the Tennis Center had been moved by consent to Year 2, the Boat Center Redevelopment had been discussed and vetted, the Blatt Pool Pack had been discussed and information provided and the project was moved to Year 2 and information had been provided on the Ingle Residence Hall Renovation.

Commissioner Lynn stated that he would like for the Commission to talk about procurement and what type of diversity was included or if there were any diversity goals. Mr. Glenn stated that could be done in follow-up as the project was closed. Mr. Glenn added that procurement was controlled by the state procurement code. Mr. Glenn advised that he would look into the process of whether the diversity goals could be obtained prior to the process. Commissioner Lynn stated that diversity should be part of the matrix upon which the Commission measures the projects and that it should be included in the best practices.

With no further questions, it was moved (Kuhl), seconded (Batson), and voted to approve the CPIP Year 1 projects as proposed and to accept the Years 2-5 for information.

Advancement of CPIP to Full Commission

Mr. Glenn stated that consideration of the CPIP was deferred from May to the present and that each of the Commissioners had the opportunity to review the information being considered. Mr. Glenn then recommended that the committee recommend to the full commission that the 48 hour waiting period be suspended and that the CPIP be advanced to the full Commission for consideration at the 1:00pm Commission meeting.

With no further questions, it was moved (Batson), seconded (Kuhl), and voted to approve the request to waive the 48 hour waiting period for the CPIP projects as proposed.

IV. Interim Capital Projects

The following projects were presented and discussed:

A. The Citadel

1. Boat Center Redevelopment

As the Boat Center Redevelopment Project was approved as part of the CPIP Year 1 list, it was removed from the Interim Capital Projects as an separate action item.

2. Duckett Hall HVAC Replacement

Mr. Gary Glenn presented the Duckett Hall HVAC Replacement Project and stated that there was an adjustment to the project as it was presented. The project was not presented with the modifications that The Citadel had identified since it was brought initially on a previous CPIP. Mr. Glenn stated that at that time, The Citadel had estimated that the project would be \$1.2M and paid for with institutional capital project funds. Mr. Glenn shared that Duckett Hall is quite large, the particular project was difficult, and it was determined that a \$2.5M budget was more appropriate. Mr. Glenn further stated that CHE made the adjustment to the write-up and the amended write-up had been included on the website. Mr. Glenn stated that Duckett Hall was a 23,900-square-foot building constructed in 1969 that houses the biology department. The original HVAC system was still in operation even though it had a twenty year expected lifespan, and that has been substantially exceeded. The three systems were in poor condition and the controls were antiquated beyond repair. He further stated that the new system would include installation of four new air handling units, two lab exhaust fans and pumps, new ductwork throughout the building, associated piping, insulation, fan coil units and controls. He added that existing lighting would also be replaced with new energy-efficient lighting, and new suspended acoustical tiles would be installed throughout. Mr. Glenn stated that according to the maintenance assessment done by the Citadel, the heating and cooling system scored 2.8 out of 5 and the existing maintenance needs were \$1.3M over the next twenty years. The maintenance and energy costs would require additional operating funding of between \$7,000 and \$7,200.

Commissioner Batson referred to the summary page and asked for clarification of the revision of the \$1.2M to \$2.5M. Mr. Glenn explained that the total amount would be \$2.5M and that the additional funding would change the building utilities line to \$2.39M to balance to \$2.5M and that the source of funding remained consistent with the initial proposal.

Commissioner Kuhl asked whether the type of HVAC system that would be used was a water based heat exchange. Col. Wham replied that it was. Col. Wham added that the facility had to run twenty-four hours a day, that the HVAC was an energy controlled system, and that The Citadel would stay with the same water-cooled system throughout the facility.

With no further questions, it was moved (Phillips), seconded (Kuhl), and voted to approve the Duckett Hall HVAC Replacement as proposed.

B. Orangeburg-Calhoun Technical College

1. OCtech Re-Roofing Project – Buildings A thru J and Connecting Corridors

Mr. Gary Glenn presented the project stating that the College brought the request to increase the budget by \$654,068 for re-roofing projects on buildings A thru J and the connecting corridors. He added that it was to replace the roof and the secondary drainage systems. Mr. Glenn stated that the assessments had confirmed the need to expedite their replacement. As the cost estimate from the architect during Phase 1 came back higher than anticipated and that the increase exceeded Staff authority, the project was being returned for commission approval.

With no further questions, it was moved (Batson), seconded (Kuhl), and voted to approve the OCtech Re-Roofing Project – Buildings A thru J and Connecting Corridors as proposed.

C. York Technical College

1. York – Library Expansion and Learning Commons Construction

Mr. Glenn presented the project and stated that York Technical College was an example of where they had changed the source of funding from the originally proposed amount in the 2012-13 CPIP. It was noted that there was a correction to the write-up to correct the reference from 2013-14 CPIP to 2012-13 CPIP. Mr. Glenn further stated that when the project was brought forward on the 2012-13 CPIP, they did not have sufficient funding in the College Capital Reserve Funds to execute the project. These funds come from local funds as well as excess operating funds generated by a growth in enrollment at York Technical College over the last several years. As stated, the College did not have sufficient funding in that Capital Reserve Fund to fund the entire project so they received a pledge from the York Technical College Foundation for the difference of \$1.495M. Mr. Glenn explained that they have now accumulated the funding they need to fund the project with Capital Reserve Funds only. Mr. Glenn added that they shifted the funding from non-tuition funds to Capital Reserve Funds that come from tuition and other local support. Additionally, he shared that the scope was the same, that it had changed little in how they would spend the money, and that the change being proposed was primarily a funding change.

Commissioner Kuhl referred to the line items in the project budget and stated that she noticed there were a number of reductions including the elimination of builders risk insurance, dropping of two inspections services, but then an addition of \$299,000 for inspection services. Mr. Robby Brown explained that builders risk insurance used to be required of the agencies but was now required by the contractors. Mr. Brown further explained that they had been able to determine the actual cost for inspections as they went through the Phase 1 process. Commissioner Kuhl asked for clarification as to why the decision was made to decline the money from the foundation and to use Capital Reserve Funds. Dr. Marc Tarplee, CBO at YTC, explained that the York Tech Foundation was not a huge foundation, did not have a tremendous endowment, and that \$1.5M was a huge commitment for them. Dr. Tarplee added that they felt the \$1.5M was better used to support scholarships and other things to help students.

Commissioner Batson asked for further clarification on the York Technical College Foundation fund balance. Dr. Tarplee explained that currently there was only a few million in funds on hand, but that they were in the middle of a capital campaign and the fund balance was increasing. Dr. Tarplee added that the College was in a much better financial position than the Foundation to support the project. Commissioner Kuhl asked for clarification as to whether the project was going to be student fee driven. Dr. Tarplee explained that there would not be any tuition increase nor any new fees being implemented.

With no further questions, it was moved (Batson), seconded (Kuhl), and voted to approve York – Library Expansion and Learning Commons Construction as proposed.

V. Other Business (For Information, No Action Required)

A. List of Capital Projects & Leases Processed by Staff for May, 2016

Mr. Glenn referred to the College of Charleston 2015-16 Maintenance Needs Project and stated that the funding was provided by the state with matching requirements with which the project had to satisfy. Mr. Glenn added that staff had reviewed the project and provided the Commission a copy of the institution's intent to use the funds.

With no further business, Commissioner Temple adjourned the meeting at 11:13 a.m.

Respectfully submitted,

Vickie Pratt
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.*