

MINUTES
COMMITTEE ON FINANCE AND FACILITIES
OCTOBER 24, 2016
10:00 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 (phone)
Commissioner Paul Batson
Commissioner Ken Kirkland
Commissioner Kim Phillips (phone)

Mr. Rick Kelly
Mr. Kevin O'Connell
Mr. Steve Osborne
Ms. Carol Routh
Mr. Jeff Tallant
Mr. Ray Tanner
Dr. Walter Tobin
Mr. Greg Weigle
Ms. Helen Zeigler

Guests Present

Chairman Tim Hofferth
Commissioner Terrye Seckinger
Commissioner Charles Munns
Ms. Beth Bell
Mr. Billy Boan
Mr. Tim Drueke
Mr. Charlie FitzSimons
Mr. Kim Huff
Mr. Michael Hughes

Staff Present

Mr. Gary Glenn
Ms. Camille Brown
Ms. Carrie Eberly
Ms. Yolanda Myers
Mr. Morgan O'Donnell

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 10:05 a.m. Ms. Myers introduced guests in attendance. It was confirmed that Commissioner Louis Lynn had requested and had been granted an excused absence.

II. Approval of Minutes of Meeting on September 1, 2016

A motion was made (Batson), seconded (Phillips) and carried to approve the minutes of the September 1, 2016 meeting.

III. Financial Evaluation Matrixes

Commissioner Kuhl discussed the financial evaluation list and the components that should go on this list. A few additions to this list were proposed to include the building condition assessment code, private funding from foundations, and space utilization. Commissioner Temple discussed the importance of these data indicators going forward with the evaluation of capital projects. Chairman Hofferth discussed the list and noted how the list will allow facts and data to guide the decisions on

projects. The Chairman further stated that he would meet with the college presidents to discuss the information on the list.

Mr. Glenn mentioned additional data that could be beneficial to review. This included debt retirement, the ten-year enrollment trend by class, enrollment criteria for in-state students, and number of applications received versus how many applicants were accepted and ultimately enrolled at the institution. Other items included were trends in adjunct faculty, occupancy rates in dorms and dorm fees, as well as meal plan fees. Maintenance and institutional reserve account trends were mentioned. The ten-year trend in excess debt service was added to this list.

Commissioner Temple stated that this document is fluid and is a flexible document and will be refined over the next months. He added that the focus on this financial matrix is the trending information and not a snapshot in time.

With no further questions, it was moved (Batson), seconded (Kirkland), and voted to approve the concept of the model of the financial evaluation matrixes as proposed.

IV. Interim Capital Projects

The following projects were presented and discussed:

A. University of South Carolina

1. Football Operations Facility Construction – Change Source of Funds, Establish Construction Budget

Mr. Glenn described the Football Operations Facility Construction project. This project was considered in January, 2016. As Commissioner Kuhl had asked for this project to be brought back outside of the consent agenda, it was being considered for Phase II approval. At the Phase I request in January, the projected budget for Phase II was \$3m in cash and \$47m in athletic revenue bonds. Through negotiations with the University, that funding plan had been refined to include additional promises and obligations. The project now had \$6m in cash, an increase from the original \$3m, and a \$44m bond. \$14m had been pledged to the University for this project over time, and the University has promised to back these pledges from money from their UnderArmour and media related athletic revenue contracts. These funds would be placed in an escrow account and would be retained until the bonds would be called in ten years. In the interim, these funds would gain interest which also would be used to pay toward the bond. An additional agreement was made to reduce in-state athletic fees by \$1m each year for the next ten years saving. The University agreed to reduce any combination of the \$69 debt service fee or the \$104 intercollegiate athletic fee and hold those fees constant over the next ten years for in-state students. This fee reduction would be implemented beginning in the Fall 2017 semester.

Commissioner Batson applauded the leadership of the Commission and the University for working together to come up with an innovative solution to reducing fees with this project. Commissioner Kirkland discussed the equity and cash flow of the project, and stated that the project funding was much better than initially proposed in January. He then added that he would have liked to have seen more equity put into the deal.

Commissioner Temple and Commissioner Kuhl discussed the similarities and differences between this project and the Clemson Football Operations Facility project. Commissioner Kuhl stated that she wanted to see the expenses and revenues of the athletic programs. Ray Tanner discussed ticket

sales and the revenues of the athletic program. Commissioner Hofferth stated that he supports this deal but, like Commissioner Kirkland, would have liked to have seen more upfront cash in it. Commissioner Hofferth discussed the evaluation of projects and how that process is changing and will continue to change. He then described how the evaluation of projects is moving in a different direction and how the data from the financial matrixes will allow decision makers to make more informed decisions.

Commissioner Munns discussed the appropriateness of whether the project was needed in terms of what athletics does for this state. Commissioner Munns stated that this project was priced at the right level, and that the funding is appropriate for this type of project. Commissioner Seckinger asked about whether the USC board had voted on the tuition fee changes as agreed upon with this project. Rick Kelly stated that the USC board is aware of the fee structure change and the board was expected to adopt the change in June 2017.

Commissioner Hofferth stated if this project is approved, then the conditions under which the project was approved would be asterisked on the A1 so JBRC can see the conditions. Commissioner Seckinger emphasized the need to work together to keep costs down and discussed the importance of the financial dashboards to help with this goal and to keep everyone better informed.

With no further questions, it was moved (Phillips), seconded (Kirkland), and voted to approve the Football Operations Facility Construction project as proposed.

B. Medical University of South Carolina

1. MUSC/SCEO PEER Program Energy Performance Contract 2016 – Establish Project

Mr. Glenn described the MUSC/SCEO PEER Program Energy Performance Contract project. This request was for the University to enter into an energy performance contract with AMERESCO. AMERESCO would provide an investment grade audit to identify potential energy cost savings at the University. Phase II of the project would be funded through the State Treasurer's Office Master Lease program which would provide financing for the energy conservation measures that are proposed by the contractor. Mr. Glenn added that this is a contract with guaranteed results and the contractor is on the hook for the energy savings that the contractor states they can save the University.

With no further questions, it was moved (Batson), seconded (Kuhl), and voted to approve the MUSC/SCEO PEER Program Energy Performance Contract 2016 project as proposed.

C. College of Charleston

1. McAlister Residence Hall Renovation – Establish Project

Mr. Glenn stated this request was to establish the project for Phase I. This project would address HVAC issues, structural deficiencies, and well as refreshing the residence's hall exterior, interior, flooring, furniture and plumbing. The elevators would also be upgraded. The HVAC units are discharging hot air into the corridors which requires the use of fans to disperse the air. Additionally, there was water intrusion which affects the health and safety of the students in the building. A new HVAC system would be installed on the roof.

With no further questions, it was moved (Phillips), seconded (Batson), and voted to approve the McAlister Residence Hall Renovation project as proposed.

D. Orangeburg-Calhoun Technical College

1. OCtech Health Sciences and Nursing Building – Establish Construction Budget

Mr. Glenn described the Health Sciences and Nursing Building project. This project received significant funding from state support and local support. The funding sources include \$5m from the State Capital Reserve Fund, \$1m from appropriated state funds, a federal grant of approximately \$1.9m, contributions from Orangeburg and Calhoun counties of \$532K, College Funds of approximately \$3.5m, and private donations of \$325K. This project is for the construction of the new Health Sciences and Nursing Building on the College's campus. The College has a need for additional classroom and laboratory needs for the nursing and health sciences programs as these programs are continuing growth in the state and at the technical colleges. The College has been forced to use space in nearby industrial bays for its various health programs. That space needs to be returned to the manufacturing programs which are also growing significantly. The proposed design includes three large tiered classrooms, an eight station nursing simulation lab, a twenty-nine bed nursing skills lab, an instructional computer lab, an assessment center, as well as faculty offices and student study space. The proposed design is 32,669-square-feet.

Commissioner Temple commented on the funding and need for this project and stated that this project had the right blend of funding for this project coming from private donations, funding from county support, and from state funds.

Commissioner Batson expressed his support for this project and asked Dr. Walter Tobin to comment on the need for this project and how long the College had been working on this project. Dr. Tobin spoke on the growth of the programs and the use of clinical sites to support this growth. Commissioner Kirkland stated that this project was on the radar back in 2015 and the College recognized that this project was relevant years ago. Commissioner Kirkland also commented on the funding sources that the College came up with to fund this project.

Commissioner Kuhl commented on the fact that the College had planned for this project. Commissioner Kuhl asked whether the College was looking at any type of bridge program or agreement with any of the four-year programs with RN to BSN programs. Dr. Tobin stated that the College had relationships with USC-Upstate, the University of South Carolina, and Clemson University, and an agreement was just entered into with Claflin University.

With no further questions, it was moved (Batson), seconded (Kirkland), and voted to approve the OCtech Health Sciences and Nursing Building project as proposed.

V. Lease approval

A. Medical University of South Carolina

2. 99 WestEdge Parking Garage – New Lease Approval

Mr. Glenn stated that this lease is for parking spaces. This was a new lease for approximately 322 parking spaces at the 99 WestEdge parking garage. The new lease was to replace parking spaces that would be lost due to a development project in that area. The per space cost per month starts at \$122.

The write-up of this project states that this is a twenty-year lease, but the Commission recently learned that the General Services Division of the Department of Administration had asked MUSC to negotiate a five-year initial lease with potential three five-year extensions. MUSC asked that this get

approved as a five-year lease. MUSC stated that they would come back for CHE approval for each of the five-year extensions since they would have to renegotiate the terms for each extension. Accordingly, years one through five of the lease were being considered for approval at this meeting.

Commissioner Batson asked who would be using the parking spaces. Mr. Greg Weigle, Chief Facilities Officer at MUSC, responded that everyone uses these spaces and the spaces would be assigned based on the location of where the people were located. Faculty, staff and students would be assigned to these spaces. Commissioner Batson further asked if there were fees charged to use these spaces. Mr. Weigle responded that there was a fee with a current average of \$128 per month per space.

With no further questions, it was moved (Kirkland), seconded (Batson), and voted to approve the 99 WestEdge Parking Garage lease as proposed.

VI. Discussion of Tuition and Required Fee Information

Mr. Glenn stated that he had intended to discuss the tuition and fee schedules. It was determined that two technical colleges showed significant increases in tuition increases. We pulled the data and found that this may be a more intensive issue than we initially thought. Mr. Glenn described how the schools were charging tuition and fees and how these charges were evolving from how they were charged in prior years. The plan is to encourage the conversation to move toward the cost of fifteen hours since that is what it will cost in order to graduate in four years. The Commissioners then discussed the aspects of using twelve versus fifteen hours and discussed other fees such as parking and dormitory fees.

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

A. List of Capital Projects & Leases Processed by Staff for September

Mr. Glenn noted that there was nothing out of the ordinary on the staff approvals for September.

With no further business, Commissioner Temple adjourned the meeting at 11:54 a.m.

Respectfully submitted,

Morgan O'Donnell
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.*