

MINUTES
COMMITTEE ON FINANCE AND FACILITIES
MAY 5, 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
Commissioner Clark Parker
Commissioner Kim Phillips
Commissioner Paul Batson

Mr. Charlie FitzSimons
Mr. Brian Gaines
Mr. Derek Gruner
Mr. Michael Hughes
Ms. Angie Leidinger
Mr. Steve Osborne
Mr. Rick Petillo
Mr. Gary Pope
Ms. Helen Zeigler

Members Absent

None

Guests Present

Chairman Tim Hofferth
Vice Chair Allison Dean Love
Commissioner Charles Munns
Commissioner Terry Seckinger (via phone)
Ms. Beth Bell
Mr. Brett Dalton

Staff Present

Mr. Gary Glenn
Ms. Julie Carullo
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 9:42 a.m. Ms. Pratt introduced guests in attendance.

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

A motion was made (Parker), seconded (Lynn) and carried to approve the minutes of the April 7, 2016 meeting.

III. Interim Capital Projects

The following projects were presented and discussed:

A.) Coastal Carolina University

1. Brooks Stadium Additions

Commissioner Temple presented the Coastal Carolina University Brooks Stadium Additions project and gave a brief history of the project.

Following Commissioner Temple's introduction, it was moved (Kuhl), seconded (Phillips), and voted to defer the Coastal Carolina University Brooks Stadium Additions to the full Commission for consideration.

B) College of Charleston

1. Avery Envelope Renovation and Mechanical System Replacement

Mr. Glenn presented the project stating that the College of Charleston was bringing back the Avery Envelope Renovation and Mechanical System Replacement project. He stated that the project had been approved as an interim project and the A&E portion and estimated full cost of \$1.3M was approved. Mr. Glenn explained that after Phase 1, the College determined that the budget needed to be increased by \$292,677, which exceeds the threshold for staff approval. The project scope remained the same to include moisture intrusion; masonry wall repairs; removal, repair, resetting or replacement of the windows; and total replacement of all exterior sealant systems. Mr. Glenn stated that it had been confirmed that the building condition survey supported those weaknesses as noted in the E & G maintenance needs.

With no further questions, it was moved (Lynn), seconded (Kuhl), and voted to approve the revised budget for the College of Charleston Avery Envelope Renovation and Mechanical System Replacement.

C) Greenville Technical College

1. Greenville – Demolition of Bldg. 602

Mr. Glenn presented the project stating that Greenville Technical College requested approval to demolish Building 602, which is the former Belk Department Store at the McAlister Square Mall. Mr. Glenn explained that the mall was purchased by Greenville Tech many years ago. It houses Greenville Tech's bookstore, administrative offices, class rooms and the University Center of Greenville. The space was to be occupied at some point when needed for classroom space. That need has not materialized. In the interim, the building had deteriorated over time to the point that it had structural deterioration of the roof which was leading to water penetration and mold inside the building. Mr. Glenn further explained that an analysis was done and it was determined that, at this point, the most prudent action to take was to demolish the building. He affirmed that it would cost far more to renovate and refurbish than the \$1.3M to demolish. The cost estimate included asbestos abatement, structural demolition, mall façade restoration, and design to re-route HVAC and chilled water lines.

Commissioner Lynn asked for clarification as to whether the other tenants had any financial liability. Mr. Glenn stated that the space was owned by Greenville Technical College and was not under lease to any other tenants. Commissioner Lynn asked whether the \$1.3M included the funding for the green space. Mr. Glenn stated that the green space was included in the \$1.3M.

With no further questions, it was moved (Phillips), seconded (Kuhl), and voted to approve Greenville Technical College Demolition of Bldg. 602.

IV. SmartState® Operating Budget for FY 2016-17

Mr. Glenn referred to the SmartState proposed FY 2016-17 operating budget and stated that the amount of \$570,767 represents a reduction of \$76,246 from the current budget. This reduction is coming primarily from the reduction of the administrative allowance to the three institutions from \$100,000 each that is being reduced to \$75,000 each for the three institutions. Mr. Glenn explained that the rationale is the Joint Other Funds Committee had authorized the final payment to the endowed chairs centers that had been approved. That part of the program has ended. The building of the program has been completed and the activities that remain involve administering the program. Currently, 60 of the 85 chairs in the 51 SmartState centers have been filled. Mr. Glenn added that another part of the reduction was salary and fringe which included removing 10% of his salary from the SmartState budget.

Mr. Glenn stated that the program was originally funded at \$180M (\$30M for 6 years), but has not been funded since 2008. Those funds generated interest that was placed back into the program, and what is left is administrative funds. Commissioner Lynn asked if the program was being sunsetted. Mr. Glenn explained that the program was not being sunsetted, but that the endowed chairs component had been completed. Ms. Julie Carullo added that the SmartState Review Board met and had discussions on the next steps for the program. A committee had been established and was to review the program over the summer to provide recommendations for the Board as to what the program will include going forward.

With no further questions, it was moved (Parker), seconded (Lynn), and voted to approve the SmartState program's operating budget for FY 2016-17.

V. Comprehensive Permanent Improvement Plan (CPIP)

Mr. Glenn gave a brief overview of the Comprehensive Permanent Improvement Plan for year one and years two through five. He stated that the CPIP is an annual exercise wherein the universities identify in year one projects that they will begin to execute within the next fiscal year. In order for projects to be included in year one, the institutions need to have the funding to execute the project or have very strong intent that the funding will materialize within that fiscal year. If the funding does not materialize, the institutions have to defer that project until they have the funding. Projects that are not on the list are brought individually before the Commission on a monthly basis as interim capital projects. The projects that are processed on CPIP year one come back to CHE and are reviewed by staff to be sure that the scope, the budget, and funding source of the project have remained constant with what was proposed. Mr. Glenn added that as the Director of Fiscal Affairs, if any of those three items change materially, he has the authority to bring back any project at any time, even if it's on the CPIP. Projects on year two are a combination of two types of activities. These are projects that the institutions have planned for one year out, and projects that the institutions don't have their own funding to take on and are requesting support through Capital Improvement Bonds (CIB) backed by the full faith and credit of the State. There has not been a capital bond bill since 2000. In the interim, the State has relied primarily on the Capital Reserve Fund that has been used in lieu of a bond bill to fund specific projects at specific institutions. Years three, four and five identify the long-range plans of the institutions to demonstrate that they are projecting those needs, are programming their resources to address those needs, and are addressing maintenance as life cycles come to an end.

Commissioner Hofferth stated that the Commission had approved in varying stages, \$534M of capital projects that have come before the F&F Committee. What is to be determined is how to do a better job at vetting those projects on behalf of the State. Commissioner Hofferth noted that the CHE is a steward of taxpayer dollars, there are limited resources, and there has got to be better accountability. CHE has been tasked with seeing the trends in higher education and effectively administering resources to meet those trends while keeping the excellence at the institutions. CHE is developing a new protocol or matrix in line

with access, affordability and excellence. He added that with the CPIP, the Commissioners need the ability to sort and sift through this list of projects with some criteria applied to this process. The issues regarding CPIP are of clarity and how CHE operates to meet its goals. The process is going to change. CHE will be transparent in the process. There is a lot to define. Commissioner Hofferth stated further that the F&F Committee will screen the projects and group them accordingly into "layups" (the ones critical to the institutional missions), those that need a little more information, and those the Commission would want to further scrutinize. That will give CHE an opportunity to streamline the process and know that every project that has been voted on by a Commissioner would be supported by data needed to make an educated decision.

Commissioner Parker stated that CHE is setting new standards, and from his standpoint he would like to be fair and see the same level of fairness across the board whether the project is \$1,000 or \$50M.

Commissioner Hofferth agreed and stated that fairness also includes being fair to the constituents.

Commissioner Temple stated that Commissioner Parker used the word fairness appropriately. What is most important is that CHE treat everyone the same by looking at each item to define which ones meet CHE standards. In moving forward, it's about being fair to the stakeholders and making sure that the job CHE is tasked with is properly completed.

Commissioner Lynn asked for clarification as to whether any of the projects on the list would change if there was a bond bill. Mr. Glenn stated that nothing would change on the year one list. The institutions were asked to provide the legislators with a list of projects that they would want State support to build. These projects are on years 2, 3, 4, or 5 depending on each institution's plan. Mr. Glenn added that if a bond bill were to pass, it is expected that projects on the current list that are identified as needing bond funds (CIB funds) would be advanced, as well as others that may not have been placed on the list as the institutions had not anticipated that possibility.

Commissioner Temple stated that it was the collective opinion of Commissioner Hofferth, Mr. Glenn and himself to have the discussion during this meeting and then give the Committee an opportunity to further review the CPIP projects. Mr. Glenn stated that he would bring CPIP year 1 for action and years 2 through 5 for information to the Committee at the June 2 meeting. That would give staff an opportunity to respond to any questions the Commissioners might have about any of the projects and staff would work with the institutions to provide that additional information. Assuming a positive response from the Committee, CPIP would be brought before the Commission at the meeting in July or August. In the meantime, projects that needed to be advanced could be brought through the Interim Capital Projects process and be considered individually.

With no further questions, it was moved (Phillips), seconded (Kuhl), and voted to defer the discussion of the CPIP projects to the June 2 meeting.

VI. Other Business (*For Information, No Action Required*)

Projects & Leases Processed by staff for April, 2016.

With no further business, Commissioner Temple adjourned the meeting at 11:00 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.*