

COMMITTEE ON FINANCE AND FACILITIES
MAY 11, 2017
9:30 A.M.
MAIN CONFERENCE ROOM
SC COMMISSION ON HIGHER EDUCATION
1122 LADY STREET, SUITE 300
COLUMBIA, SC 29201

Committee Members Present

Commissioner Dianne Kuhl, Chair
Commissioner Paul Batson
Commissioner Ken Kirkland
Commissioner Kim Phillips

Committee Members Not Present

Commissioner Louis Lynn (Excused)

Guests Present

Chairman Tim Hofferth
Commissioner Terrye Seckinger
Commissioner Devron Edwards
Ms. Beth Bell
Ms. Leslie Brunelli
Mr. Brett Dalton
Mr. Derek Gruner
Mr. Chip Hood
Mr. Michael Hughes
Mr. Rick Kelly
Mr. Jay Kispert
Ms. Angie Liedinger

Ms. Jennifer LoPresti
Mr. Graham Neff
Mr. Rick Petillo
Mr. Dennis Pruitt
Mr. Dan Radakovich
Ms. Carol Routh
Mr. Thomas Vogt
Mr. Thomas Welch
Ms. Helen Zeigler

Staff Present

Mr. Edward Patrick
Ms. Carrie Eberly
Ms. Lisa Collins
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 Kuhl called the meeting to order at 9:35 a.m. Ms. Myers introduced guests in attendance.

Commissioner Kuhl began the meeting by discussing recent attempts to remove the CHE from the vetting process of nearly 80% of all capital improvement projects. She explained that while institutions have boards that make decisions in their best interest, it is the CHE's job to make decisions in the interest of the state, the taxpayer, the families and the students of South Carolina. The CHE's North Star is educational access, affordability and excellence for all South Carolinians. She stated that the Commission will continue to bring forward the message of fiscal transparency and accountability.

The following matters were considered:

2. Approval of Minutes of Meeting on April 6, 2017

Commissioner Kuhl noted an error in the minutes of the February 14 meeting under Agenda Item III, Capital Projects - Staff Approval Criteria, and that it should read, "Leases which are less than \$1,000,000 in a five year period" and asked that the minutes be updated to reflect this change.

With no further corrections, a motion was made (Kirkland), and carried (Phillips), to approve the minutes of the April 6, 2017 meeting.

3. Chair's Report

Commissioner Kuhl reiterated the new Appeals process adopted by the Commission previously and requested that the staff send this information to all of the institutions. She then stated that the CPIP process will be handled differently this year, and that projects submitted for year-one will receive the same level of vetting as interim capital projects. Additionally, the committee will be reviewing the projects in three separate categories this year: (1) the comprehensive institutions, (2) research institutions, and (3) technical colleges. Commissioner Kuhl stated that the committee encourages each of the colleges and universities to include all projects that they are considering on their five-year Master Plan to be included in their CPIP.

4. Interim Capital Projects

The following matters were considered:

A.) Clemson University

1. Tennis Center Construction

Mr. Patrick presented the project from Clemson University requesting Phase II approval to construct a new Tennis Complex. The total cost of the project is \$12.5 M and the source of fund will be 100% athletic revenue bonds and IPTAY. He stated that the primary concern is the lack of upfront equity investment and stated that there was recommendation of 50% for these type of projects.

Mr. Brett Dalton from Clemson University requested to present an overview of the proposed project. He shared that the current structure was built in the 1970s and that they have known for some time that it was in need of renovation to be ADA and Title IX compliant. Mr. Dalton further shared that the project is a part of Clemson's overall athletic facilities long range master plan and no student tuition fees would be used for this project. He shared that the University considered the guidelines provided by the committee when planning for IPTAY and the Tennis Center. Mr. Dalton stated that they expected IPTAY and the Tennis Complex to be presented at the same time and have a single bond issue that would address both projects. He further stated that they were able to raise 100% funding for IPTAY from private sources, which they thought would allow for proposing 100% debt issuance for the Tennis Complex. Mr. Dalton concluded stating that athletics is fully self-sustained and has ample revenues, including donations through IPTAY, ticket sales, and media rights to cover this project.

The committee expressed support for the project and commended the University for the work that they put into pulling the project together. However, the committee unanimously had strong concerns about the lack of upfront investment for the project. Members shared that they had lots of discussion in previous committee meetings about ancillary and auxiliary projects and the need for upfront investment for these types of projects when requesting approval. Mr. Dalton

stated projects are considered according to their overall financial plan but he would go back to their board and share the committee's concern for the lack of upfront investment for this project and to see if they can arrive at a reasonable equity investment.

Commissioner Kirkland asked if the project could be put on hold until funding is available to advance the project or could some cash be devoted to this project. Mr. Dan Radakovich replied that the University could not wait because it would not be financially prudent in the long-term to put that much cash into this particular project. Commissioner Kuhl asked if there were any fundraisings for the project since it's been on the books since 2011. Mr. Radakovich answered that they have done some fundraising and that some of it would be used as a capital contribution for this project. Also, there are areas in the building that can be named for individuals to raise additional money, and they have currently raised about \$1.5M.

The committee members also expressed concerns about the University's current debt service, and adding this project to that debt service. Commissioner Kuhl asked what contingency plan is in place if there is an unfavorable change in athletic revenues. Mr. Dalton stated that they have a \$61M fund balance set aside for unfortunate times. He shared that the University is also evaluated by credit rating agencies such as Moody's, S&P and Fitch according to their total cash and investment position compared to their total debt balance.

Commissioner Phillips expressed concerns about the institution knowing what the guidelines were and still presenting the project with no upfront investment. Mr. Dalton stated that they did not know this project would be considered as a stand-alone project and would go back to their board about providing an upfront equity investment. Commissioner Batson expressed that he appreciated the information presented but the committee clearly stated previously that every institution should have some sort of equity investment and particularly for ancillary and auxiliary projects.

Mr. Dalton asked if they could work with the committee on an investment amount that would be feasible to move the project forward. The committee felt that it is the responsibility of the institutions to determine their upfront investment amounts, and therefore, could not honor that request.

After the discussion, Commissioner Kuhl stated that the consensus of the committee was in support of the project but concerns strongly remain over the lack of investment. At this point, the University has the option to either ask the committee to vote as it currently stands, or go back to their board and express the concerns of the committee regarding the need for upfront investment. Mr. Dalton requested the committee to vote on the project as is.

With no further questions, it was moved (Kirkland), seconded (Phillips), and voted not to approve the Clemson University project as proposed.

The committee recommended that the University look at other funding models and reminded them of the Commission's appeals process. ([February 14, 2017 Meeting Minutes](#))

B. Francis Marion University

1. Final Land Acquisition
-Old Post Office

Mr. Patrick presented the project stating that the University is requesting approval to accept one half acre of land and real property as a gift on the NW corner of Irby and Evans Streets located

in downtown Florence, SC. The purpose of the land and building is to use it for the University's Therapies Complex. He noted that the University would not incur any expense in the acquisition.

Commissioner Batson asked about the need for additional facilities with no enrollment growth to support it. Mr. Jay Kispert from Francis Marion University replied that the University needed the expansion because of the addition of the new Nursing, Practitioner, and Physician Assistant programs. He also shared that further down the road they would like to add a new Occupational Therapy program.

With no further questions, it was moved (Batson), seconded (Kirkland), and voted to approve the Francis Marion University project as proposed.

C. University of South Carolina-Columbia

1. Classroom Laboratory Redevelopment (Old Law School Renovation)

Mr. Patrick presented the project stating that the University is requesting approval to renovate the former law center building into a new academic teaching center for undergraduate labs and future academic space. He stated the cost of the project is \$47.5M and that \$3.5M will be invested by the University and that the remaining \$43.5M will be financed through a bond. Mr. Patrick stated that the University needs additional science labs to support the increase in enrollment over the past ten years. He noted that a new Master Plan is being prepared and is scheduled for completion by December, 2017.

Commissioner Kuhl asked if it would be more cost effective to wait until the new Master Plan is complete to see what other renovations might be needed. Mr. Rick Kelly replied that the current Master Plan identified that there was shortage of 100,000 square feet two-years ago and the enrollment will continue to increase. He shared that 40% of the freshman that comes to the University have to take a lab and that they currently have the need for the additional space. The remainder of the building will be available as swing space for other academic building renovation projects.

With no further discussion, it was moved (Batson), seconded (Phillips), and voted to approve the University of South Carolina-Columbia project as proposed.

2. 1800 Gervais Street Property Acquisition

Commissioner Kuhl shared that the University is requesting approval to purchase a lease property that the University has occupied since May, 2012. She shared that the building is appraised for \$1,625,000 and prior rent being applied to the purchase is \$785, 296. The remaining cost will be \$859,704.

There being no further discussion, it was moved (Phillips), seconded (Kirkland), and voted to approve the University of South Carolina-Columbia project as proposed.

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

A. List of Capital Projects and Leases Processed by Staff for March and April, 2017

Ms. Carrie Bundrick presented the list of Capital Projects and Leases processed for the months of March and April 2017. Commissioner Kuhl noted a Phase I budget change for the McAlister

Hall project at the College of Charleston. The lack of expansion joints in the original CMU construction of this residence hall has contributed to cracks and structural issues in the envelope and foundation. Additionally, one side of the building continues to experience water issues, which could be the result of problems with the EIFS system. In order to ascertain the extent and severity of envelope damage, the College of Charleston plans to conduct "destructive" tests on the building, which will involve removal of exterior sections to determine the cause of failure and the appropriate remedy. These tests were originally planned for Phase II, but in order to obtain a more solid cost estimate and hopefully avoid mid-renovation changes, the College asked to move these tests to the A & E portion of project. This modification represents a shift in funds, not an increase, and will not change the overall project budget.

There being no further business, Commissioner Kuhl adjourned the meeting at 11:54 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.*