

MINUTES
COMMITTEE ON FINANCE AND FACILITIES
AUGUST 3, 2017
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 Dianne Kuhl, Chair
Commissioner Paul Batson
Commissioner Ken Kirkland
Commissioner Kim Phillips
Commissioner Louis Lynn

Mr. Yancey Modesto
Mr. Steve Osborne
Ms. Carol Routh
Mr. Jeff Stensland
Mr. Ray Switzer
Dr. Kyle Wagner
Mr. Avery Wilks
Ms. Helen Zeigler

Guests Present

Chairman Tim Hofferth
Commissioner Charles Munns
Commissioner Terrye Seckinger
Mr. Billy Boan
Dr. Ben Dillard
Ms. Margaret Jordan
Mr. Rick Kelly
Mr. Doug Lange

Staff Present

Ms. Lisa Collins
Ms. Carrie Eberly
Dr. Rao Korrapati
Ms. Yolanda Myers
Mr. Morgan O'Donnell
Ms. Katie Philpott

For the record, notification of the meeting was made to the public as required by the Freedom of Information Act.

1. Call to Order

Commissioner Kuhl called the meeting to order at 10:05 a.m. Ms. Myers introduced guests in attendance.

The following matters were considered:

2. Approval of Minutes of June 1, 2017

With no questions or corrections, a motion was made (Lynn), seconded (Phillips), and carried to approve the minutes of the June 1, 2017 meeting.

3. Chair's Report

Commissioner Kuhl advised the committee that Clemson University had exercised their opportunity to bring the Tennis Center Construction Project for appeal, and would be heard before the full Commission later in the afternoon.

4. Interim Capital Projects

A. Florence Darlington Technical College

1. Master Plan – Academic and Workforce Development Building Construction
-Establish Construction Budget

Ms. Eberly presented Florence Darlington Technical College's Phase II request for their 80,000-square-foot Academic and Workforce Development Building. The construction budget is estimated to be \$30.75M and the project will include a library, media center, student services, and additional classroom space. As part of this project, Buildings 100 and 400 are planned to be demolished. Both of these buildings and most of the units are over 40-years-old and built for an enrollment of about 2,000 students. The College's enrollment is now about five times that number. After demolition of the two buildings, the College will have a net increase of 38,500-square-feet of space.

The funding for this project includes 51% cash equity investment from a combination of sources, including local and state funds. Specifically, the state has \$6.5M invested through state appropriations and capital reserve funds. The remaining budget will be funded through a USDA loan which will be repaid over a period of forty years in monthly installments of \$51,600 at an interest rate of 2.75%, which translates into an annual amount of \$624,506. There is a student fee of \$270 per semester associated with the construction of this project. Based on staff review, this fee appears to be sufficient to service existing debt of \$16.5M, as well as this additional issuance. This project was pulled from the June agenda due to JBRC's concerns that the property could be used as a lien for the loan. Since that time, the College had worked with the USDA and JBRC to resolve those issues and update their agreement with the USDA.

Commissioner Batson wanted to let the Committee know that he had visited the College to meet with Mr. Roach and Dr. Dillard, and stated that the buildings in question are sorely in need of replacement, and that this is a great project.

With no further discussion, it was moved (Batson), seconded (Lynn), and voted to approve the Florence Darlington Technical College project as proposed.

B. Spartanburg Community College

1. Cherokee Advanced Technology Center Construction
-Change Source of Funds, Decrease Budget

Ms. Eberly presented Spartanburg Community College's Center for Advancement Manufacturing and Industrial Technologies. She noted that the service area of Spartanburg Community College includes Spartanburg, Cherokee and Union counties. The College was awarded two federal grants in the fall of 2014 after CHE approved Phase II for construction. The awards totaled \$1.6M, of which \$1.5M has been used for this project. This request is to change the source of funds, add the federal grants, and also decrease the budget. The project has been completed and classes have been held in the building beginning with fall 2015 semester. It was noted that the College did not acquire any debt with this project. Subsequent to the completion, the Cherokee County School system made a decision to locate its technology center adjacent to this project which has created a seamless transition between high school and higher education. Ms. Eberly also noted that the building is a showpiece for the County, as it is used by the County for economic development. Commissioner Kuhl then asked for a motion to approve this project.

With no further discussion, it was moved (Kirkland), seconded (Phillips), and voted to approve the Spartanburg Community College project as proposed.

C. College of Charleston

1. Avery Envelope Renovation and Mechanical System Replacement -Increase Construction Budget

Ms. Eberly presented the College of Charleston's request for a budget increase of \$715,978 for the Avery Envelope Renovation and Mechanical System Replacement project. Previously, the Commission approved the construction budget at \$1,551,977 in June 2016. Phase I was approved in February 2016, allowing the College to contract with an A&E firm to produce deliverables that are required for Phase II. Two of the deliverables were the schematic design and the construction cost estimate. She noted that when the College requested Phase II approval, it included a budget increase of \$292,677. Between June 2016 and April 2017, the College produced the Phase II documents, worked with the Office of State Engineer, and put the construction contract out to bid. The bids were not in line with construction estimate, causing the College to seek additional approval to increase the Phase II budget to address the concerns of the higher construction bids.

Commissioner Lynn asked who was at fault for the construction budget being underestimated by 35%. Mr. Osborne, with the College of Charleston, stated that the architectural firm underestimated, and the Office of State Engineer recently issued guidance for the Charleston area that agencies can expect higher costs and fewer companies bidding. The College had five companies come to the preconference bid, but only two ultimately bid. One firm bid 35% over the budget, which was \$433K over, and the other was \$700K over. Commissioner Lynn asked which construction method would be used, and Mr. Osborne stated that the project would be put out to bid again with the design-bid-build method. He noted that the first time the College went through the process they limited it to mechanical construction companies, but now the field will be open to both mechanical contractors and general contractors, partially due to the decision to replace all the windows. Previously, the College was only going to replace some of the damaged windows, and repair others, but after further assessment it was determined to be better to replace all of the windows at the same time. The College would have gotten five year warranties for repairs but would receive a fifteen-year warranty by replacing them. The change accounts for \$130K of the proposed budget increase.

Commissioner Lynn reiterated that 35% over budget was a big miss. Mr. Osborne stated that he was not pleased that the bids came in that high over budget. Commissioner Batson asked if the new budget adequately covered the concerns of the current condition of the Charleston area construction market. Mr. Osborne stated that the new estimate reflects the current market condition. Commissioner Lynn asked if there was any contingency included in the proposed budget. Mr. Osborne stated that there was. Commissioner Kuhl stated that the College originally requested an additional \$300K in Phase II, and now the College is requesting an additional \$700K. Mr. Osborne stated that when the College proposed Phase II originally, the budget was \$1.5M, and that the total budget will now increase to \$2.2M. Commissioner Kuhl stated that it was her understanding that the reasoning behind the budget request was to accommodate the construction bids coming in higher than anticipated, and requested clarification as to why the College was requesting over \$700K. Mr. Osborne stated that other pieces affecting the budget increase include project delay escalations, additional A&E fees, and the replacement of windows. Commissioner Kuhl asked if the College could share with the Committee why the project took so long to go out to bid. Mr. Osborne stated that the typical A&E process takes at least 3-4 months. The College added several months to this project due to

two factors: the building is an historical structure, which involves unusual code requirements, and the building is in a flood zone, which requires different specifications within the architectural design. The College went before the Office of State Engineer at three different points and each of those points added time to the process.

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

2. City Bistro Interior Renovation -Establish Project

Ms. Eberly presented the project to establish an interior renovation to College of Charleston's City Bistro in the Joe E. Berry Residence Hall. The request is to establish the project with \$32,581, which is 1.5% of the current internal estimate of \$2,172,000. She noted that the City Bistro is one of the most used dining options on campus and is located within 5-10 minutes of residence halls and academic buildings. This project was not on the previous CIP. The dining facility is original to the residence hall which is 183,204-gross-square-foot and was constructed in 1989. Since 1989, the dining area has undergone two major renovations as student demands have changed and residence hall concentration has increased. Commissioner Lynn asked whether the College considered the increased construction costs in the Charleston area when preparing the budget estimate, considering the College's previous project request. Ms. Eberly stated that staff posed that question to the College, and the College had incorporated the escalated costs of the current market condition into their projected budget. Commissioner Lynn asked about the delivery method and Mr. Osborne stated that this would also be a design-bid-build.

Commissioner Kirkland stated that the audited reports he reviewed are impressive, and noted the College was managing their revenue and expense lines to produce a net profit. Commissioner Lynn asked if the food service was an internal operation, and Mr. Osborne responded that the food service is contracted out to Aramark. Commissioner Lynn asked if there would be a private piece in this project. Mr. Osborne explained that there is an allowance for capital projects as part of the contract, and that part of the allowance would be covering this project. He also noted that the allowance is provided up front to the College, and then comes off the food service profit statement. Commissioner Batson requested clarification on the Intradepartmental Expense line item on the Revenue and Expense statement provided. Mr. Osborne responded that he would get the details regarding this line item and share the response with the Commission. Commissioner Lynn asked about the contract length with Aramark, and Mr. Osborne stated that the College is in the 2nd year of a 7-year contract.

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

3. Sottile Theatre Stage Renovation -Establish Project

Ms. Eberly presented the Sottile Theatre project, noting the project will renovate the stage and backstage areas. The College is requesting to establish the project with \$94,194, which is above the 1.5% guideline. She noted that the College will consult with both A&E and theatrical professionals during the Phase I process to produce a reliable cost estimate for Phase II. The internal projected cost is currently \$4,709,700. The source of funds for Phase I is Institutional Capital Project Funds, which are excess debt service revenues that the College collects through

student tuition. The project was approved by the Board of Trustees on June 6, 2017. The project was not on previous CPIPs, as the College originally planned to break this project up into smaller projects under the \$1M threshold, which they have the authority to establish themselves. As the College started looking at all of the smaller projects, they decided that it would be more beneficial to everyone involved to go ahead and establish a PIP for this project.

Mr. Osborne noted that the College is scheduled to receive a \$1.5M grant from the Spaulding-Paolozzi Foundation toward the cost of this project. Commissioner Lynn asked for clarification regarding the fund balance and utilization of ICPF previously mentioned as the current source of this project. Mr. Osborne stated that these are excess funds that are collected from the Capital Improvement Fee charged to students. A portion of the fee is used to retire debt, and the amount collected above annual debt service is used for cash funding of projects such as this one.

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

Commissioner Kuhl then shared with the Committee that Mr. Osborne is retiring as the College of Charleston's CFO, and thanked him for his many years of service and his excellent working relationship with the Commission. He will be missed.

5. Other Business

A. Unfinished Business

Commissioner Kuhl stated that there was one item of unfinished business. The Committee did not complete the vetting of the University of South Carolina's request to purchase the SCANA property that was tabled at the June meeting. She noted that before the Committee could have any discussion on the project, that it needed to be removed from the table. It was moved (Lynn), seconded (Phillips), and voted to remove the project from the table.

Commissioner Kuhl stated that due to the time sensitive nature of this project, and the risk that the University could lose their earnest money in October, the project needed to move forward to JBRC with either a positive or negative recommendation. She suggested that the Committee proceed with advancing the project to the full Commission for discussion. Commissioner Lynn asked if the information shared was the same as presented in the prior month. Commissioner Kuhl stated that the information was the same.

It was moved (Lynn), seconded (Kirkland), and voted to advance the project to the Commission.

B. Office of the State Engineer Overview

Ms. Eberly introduced Ms. Margaret Jordan from the Office of State Engineer. Ms. Jordan gave an overview of the Office of State Engineer's role in capital projects and their approval process, construction costs, and the causes for rising costs on construction in certain areas of the state. Ms. Jordan described how documents are provided to the Office of State Engineer at the schematic stage and during construction design. She noted that the Office of State Engineer serves as the procurement official, and that all bids for services are initiated by their office. Architectural staff is available to work with agencies to do table top reviews to ensure progress on the project. As the building official for state property, part of the Office's responsibility is to ensure that all documents are complete, meet building code and procurement requirements, prior to bidding for services and issuing a building permit. The interaction between the local

zoning officials and state officials was discussed. Ms. Jordan welcomed the opportunity to work more closely with Commission staff to ensure a smoother process for colleges and universities working their way through the approval and construction process.

C. List of Capital Projects & Leases Processed by Staff for June and July 2017

Ms. Eberly presented the staff projects that were approved for the months of June and July. There were several projects closed.

Commissioner Kuhl asked if there was any update on the CPIP process for this year. Ms. Eberly stated that all of the Colleges and Universities' CPIP submissions had been received. She noted the State Tech Board recently approved the Technical Colleges' Year One and Year Two projects. CHE staff is in the process of compiling the responses, and CHE is tasked with ranking all of the projects in priority order. Commissioner Kuhl asked if the priority order is by sector or university, and asked if any clarification had been provided regarding the Commission's task. Ms. Eberly stated that no additional information had been provided at this time, but referenced the statute that states the Commission should provide a priority list. Ms. Eberly shared that staff would propose several options based on a previously approved rating system. Commissioner Kuhl asked if there was a completion deadline. Ms. Eberly stated that there is no deadline stated in statute or proviso.

There being no further business, Commissioner Kuhl adjourned the meeting at 11:33 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.*