

MINUTES
COMMITTEE ON FINANCE AND FACILITIES
APRIL 6, 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
Commissioner Paul Batson
Commissioner Ken Kirkland
Commissioner Kim Phillips

Ms. Carol Routh
Mr. John Runnon (via phone)
Mr. Patrick Wamsley
Mr. Greg Weigle (via phone)

Committee Members Not Present

Commissioner Louis Lynn

Staff Present

Mr. Edward Patrick
Ms. Carrie Eberly
Dr. John Lane
Ms. Yolanda Myers
Mr. Morgan O'Donnell

Guests Present

Chairman Tim Hofferth
Commissioner Terrye Seckinger
Commissioner Devron Edwards
Ms. Beth Bell
Mr. Brett Dalton
Mr. Michael Hughes
Ms. Rachel Jones
Ms. Lisa Montgomery (via phone)
Mr. Rick Kelly

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 9:40 a.m. Ms. Myers introduced guests in attendance.

The following matters were considered:

II. Approval of Minutes of Meeting on March 2, 2017

A motion was made (Phillips), and carried (Batson), to approve the minutes of the March 2, 2017 meeting.

III. Interim Capital Projects

The following matters were considered:

A.) Clemson University

- i. Business and Behavioral Sciences Building/Sirrine Hall Replacement
-Increase Construction Budget

Mr. Patrick presented the project stating that the University is requesting approval to increase the construction budget to replace Surrine Hall, which was built in 1938. This construction project is included on Clemson's Master Plan and on the CPIP for FY 2015. He shared that an on-site visit was performed and the need for this project was observed. According to the financial indicator matrix analytics, the university has an adequate annual plant maintenance and sufficient maintenance reserve balances. Mr. Patrick shared that the source of funds for the project is 100% state institution bond. He stated that Clemson has adequate debt capacity, their debt service will not exceed \$5.7 million and they currently have a debt service capacity of \$20 million per year. Their total debt capacity is \$461M.

Commissioner Kuhl then opened the floor for discussion and noted that this was the first time that we were implementing the new financial matrix.

Commissioner Batson asked what other project could impact the debt capacity and how the debit capacity will change in the next five to ten years. Mr. Patrick replied that the only other project in future that could impact the debit capacity is the Tennis Center. Mr. Brett Dalton, from Clemson University, added that the debt service for the tennis center would be supported by revenues from the athletic programs. He further stated that the university has several renovation projects that they hope to accomplish that were previously submitted through the CPIP process, including Martin Hall and Daniel Hall, which are core facilities included in the bond bill at 100% funding. If they receive funding from the bond bill, it would not impact debt service. The cost of those two projects total \$25M.

In regards to debt capacity change over the next five to ten years, Mr. Dalton stated that by the year 2020, debt will be significantly paid down. Clemson will have the capacity to take on additional debt in the worst case scenario of the bond bill not being approved.

Commissioner Kirkland asked when institutions come into excess money such as a national football championship windfall, why would projects on CPIP still need 100% funding? Shouldn't these additional funds be used as a down payment and provide an equity position for capital projects rather than financing 100% with debt? Some of the excess funds acquired could be set aside for future projects. Mr. Dalton stated that the last state institution bond issued that Clemson received for updating infrastructure all-in rate was 2.25%. Taking cash that has a much higher return on investment would be an unwise decision in the current economic climate. He stated that if financing rates were 8 or 9% percent, it would be a different scenario. He further stated that in South Carolina, there is a statute that requires that state institution debt be paid off in twenty years. Surrine Hall has been in use since 1938 and had one substantial renovation. Therefore, the effective useful life cycle of that building correlated closely with the life cycle of the asset. Mr. Dalton further stated that if it does not correlate closely, and you are using cash rather than debt, you would be penalizing or forcing current students and families to bear the costs of future generations. He also shared that they utilize the cash for maintenance projects that have a shorter than 20-year useful life and also for critical maintenance projects.

Commissioner Kuhl asked for clarification on the actual amount needed for the project and if Surrine Hall would be pulled off-line when not in use to reduce operating cost. Mr. Dalton stated that they are anticipating borrowing \$82.5M and that the plans are to utilize the building the entire time as they renovate other projects according to their Master Plan.

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

4. Lease Approvals

A. Medical University of South Carolina

1. 165 Cannon Street Garage

Mr. Patrick presented a request from the University to lease a parking garage to accommodate the Shawn Jenkins Children's Hospital and provide MUSC Public Safety with over 10,000 square feet of office space. He stated that the current public safety facility is not ADA compliant and not strategically located to address areas of concern. Maintenance is not included in this lease but the University was able to demonstrate the ability to pay the lease and maintenance costs from the generated revenues. The parking garage is required to be completed prior to the opening of the children's hospital. The maintenance risk for this lease is low but the overall maintenance risk for MUSC is moderate.

Commissioner Kirkland asked if there were additional concerns on the horizon within the next three to five years. Rachel Jones from MUSC stated that their parking needs change and they currently have month to month lease agreements on parking lots until other construction projects are underway. She stated that she is not aware of anything but that could potentially change.

Commissioner Kuhl stated that since most leases are not in final form when presented to this committee, motions for approval should include language indicating that we will accept the lease as written, but if there are any substantial changes they will need to be brought back to this committee.

Chairman Hofferth stated that Commissioner Kuhl will make the determination, in consultation with Mr. Patrick, if a project needs to return to committee.

Mr. Patrick stated that they have asked the staff from the Lease Executive office from the Department of Administration to come and present during the next Executive Committee meeting to discuss their process.

With no further questions, it was moved (Kirkland), seconded (Batson), and voted to approve the University lease as proposed, and that if there are any substantial changes it be brought back to this committee.

2. 22 West Edge

Mr. Patrick presented the Medical University of South Carolina's request to lease 25,000 square feet of office space located at 22 West Edge. Mr. Patrick stated that there is no classroom space for this lease and it is strictly for research. The source of funding is derived from indirect cost generated from MUSC grant and MUHA, the Hospital Authority, subleasing 50% of the leased space. He stated that since maintenance is included in the lease with a thirty-day termination clause, the maintenance risk for this lease is low. Mr. Patrick further stated there is no impact on student tuition since funding is from research grant dollars.

Commissioner Kuhl stated that the terms of the lease negotiation were great given the location of the Medical University and asked if there was a lease agreement with the Hospital Analytics Office. Ms. Jones stated that they did not have a sub-lease with them at this time but plan to, and that their lease would only terminate if MUSC terminates their lease.

Commissioner Kuhl asked if there was any support from the City of Charleston. Mr. Greg Weigle from the Medical University of South Carolina stated that the City of Charleston has contributed land for the development, and is currently building a garage and mitigating some of its stages, and is in partnership with the University.

With no further questions, it was moved (Batson), seconded (Kirkland), and voted to approve MUSC lease as proposed, and that if there are any substantial changes it be brought back to this committee.

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

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

Ms. Carrie Bundrick presented the list of Capital Projects and Leases processed for the months of February and March 2017 and stated that projects were processed with no issues. She noted that many of the projects came in under budget.

There being no further business, Commissioner Kuhl adjourned the meeting at 11:17 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.*