

DRAFT MINUTES

COMMITTEE ON FINANCE AND FACILITIES

APRIL 5, 2018

11:30 A.M.

SPARTANBURG MARRIOTT HOTEL, AZALEA BALLROOM

299 N. CHURCH STREET

SPARTANBURG, SC 29306

Committee Members Present

Commissioner Dianne Kuhl, Chair

Commissioner Paul Batson

Commissioner Ken Kirkland

Commissioner Louis Lynn

Commissioner Kim Phillips

Mr. Rick Kelly

Mr. Parker Leake

Mr. Rick Petillo

Mr. Scott Poelker

Dr. Mary Thornley

Ms. Danielle Varnedoe

Mr. Greg Weigle

Mr. Daniel Young

Ms. Helen Zeigler

Guests Present

Commissioner Tim Hofferth

Ms. Beth Bell

Ms. Terry Booth

Ms. Stacey Bradley

Mr. Charlie FitzSimons

Mr. Derek Gruner

Mr. Katherine Haltiwanger

Dr. Tim Hardee

Ms. Meg Howle

Mr. Randy Johnson

Staff Present

Ms. Carrie Eberly

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 11:45 a.m. Ms. Eberly introduced guests in attendance and participating via teleconference.

2. Approval of Minutes

A motion was made (Kirkland), seconded (Phillips), and carried to approve the minutes of the March 1, 2018 Finance and Facilities Committee meeting.

3. Chair's Report

Chair Kuhl noted she had no remarks to report to the Committee.

4. Interim Capital Projects

The following agenda items were presented:

A. Central Carolina Technical College

i. Kershaw County Land Acquisition

Ms. Eberly introduced the item, and a motion was made (Batson) and seconded (Phillips) to consider the item. After discussion, the Committee carried the motion to recommend the project as presented.

B. Trident Technical College

i. Workforce Development Center – Acquisition of American LaFrance Property (Preliminary and Final)

Ms. Eberly introduced the item, and a motion was made (Phillips) and seconded (Kirkland) to consider the item. After discussion, the Committee carried the motion to recommend the project as presented, to include both phases of the land and building purchase. Noting the building condition report and letter of the support had not yet been submitted, Ms. Eberly requested that the remaining items be submitted for project records. The Committee commended the joint effort between the Department of Commerce, ReadySC, and Trident Technical College for presenting a project that benefits the entire State.

C. Clemson University

i. Child Care Facility Construction – Establish Construction Budget (Phase II)

Ms. Eberly introduced the item, and a motion was made (Lynn) and seconded (Phillips) to consider the item. Commissioner Batson requested clarification on the operating revenues used to which Mr. Petillo reiterated the source of funds were revenues generated from education and general sales and services, and that no tuition and fee revenues are included. After discussion, the Committee unanimously carried the motion to recommend the item as presented.

Commissioner Batson was excused to chair the Committee on Access and Equity and Student Services.

D. University of South Carolina - Columbia

i. Speech and Hearing Upfit for the Department of Communication Sciences and Disorders – Establish Construction Budget (Phase II)

Ms. Eberly introduced the item, and a motion was made (Lynn) and seconded (Kirkland) to consider the item. After discussion, the Committee carried the motion to recommend the project as presented.

ii. Swearingen Roof Replacement
– Establish Project (Phase I)

Ms. Eberly introduced the item, and a motion was made (Lynn) and seconded (Phillips) to consider the item. After discussion, the Committee carried the motion to recommend the project as presented.

E. Medical University of South Carolina

i. Basic Science Building (BSB) Exterior Envelope Repairs
– Establish Construction Budget (Phase II)

Ms. Eberly introduced the item, and a motion was made (Phillips) and seconded (Lynn) to consider the item. After discussion, the Committee carried the motion to recommend the project as presented.

- ii. Storm Eye Institute Chiller Replacement
– Establish Construction Budget (Phase II)

Ms. Eberly introduced the item, and a motion was made (Lynn) and seconded (Kirkland) to consider the item. Without further discussion, the Committee unanimously carried the motion to recommend the project as presented.

- iii. Hollings Cancer Center 3rd Floor Renovations
– Establish Project (Phase I)

Ms. Eberly introduced the item, and a motion was made (Lynn) and seconded (Kirkland) to consider the item. The Committee unanimously carried the motion to recommend the project as presented.

5. Lease Approval

- A. University of South Carolina - Columbia – Park 7 Lease Amendment for University Housing

Ms. Eberly introduced the item, and a motion was made (Lynn) and seconded (Phillips) to consider the item. Following discussion, the Committee carried the motion to recommend the lease as presented, provided that the amended rates and terms are approved by the Department of Administration.

6. Other Business

The following items were presented as information. A description of the capital projects processed by staff in March is included in the published meeting materials.

- A. List of Capital Projects & Leases Processed by Staff for March 2018
- B. Other Business

Please refer to the attached transcription for detailed discussion on each item.

There being no additional items before the Committee, a motion was made (Kirkland), seconded (Phillips), and carried to adjourn the meeting at 1:35 p.m.

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DIANNE KUHL: Let's go ahead and get started. Carrie, would you do the introductions for us please?

CARRIE EBERLY: Yes ma'am. Good morning everyone. Today with us from Clemson University we have Ms. Beth Bell and Mr. Rick Petillo; from USC Columbia we have Mr. Derek Gruner, Mr. Rick Kelly, Ms. Helen Zeigler, Mr. Charlie FitzSimons, Mr. Parker Leake, Ms. Kirsten Kennedy, Ms. Stacey Bradley and, on the phone, Ms. Danielle Varnedoe. From MUSC, on the phone with us, we have Mr. Greg Weigle and Ms. Katherine Haltiwanger. From Central Carolina Technical College, on the phone, we have Ms. Terry Booth. From Trident Technical College we have Dr. Mary Thornley, Mr. Scott Poelker and Ms. Meg Howle. From the State Tech System Office, we have Mr. Randy Johnson and Dr. Tim Hardee. And then from the Department of Commerce we have Mr. Danielle Young.

Is there anyone else on the teleconference line?

[No audible response]

Guests that are on the teleconference, please mute your phone. Are there any other additional guests I may have missed?

[No audible response]

This meeting is held in accordance with the Freedom of Information Act.

DIANNE KUHL: Has everybody had a chance to read the minutes, and are there any changes to the minutes that you'd like to make?

[No audible response]

DIANNE KUHL: Let me get over here so you can be in my line of sight. That way I can actually see your handsome faces.

DR. LOUIS LYNN: And mine too?

[Laughter]

DIANNE KUHL: Okay. Do we have a motion to approve the minutes?

KEN KIRKLAND: So moved.

DIANNE KUHL: Second?

KIM PHILLIPS: Second.

DIANNE KUHL: All in favor?

[Attendees, "Aye"]

DIANNE KUHL: Any opposition?

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[No audible response]

DIANNE KUHL: All right. We don't really anything specific to put in the Chair's report, other than I will say, from my standpoint, I think our staff has been doing a phenomenal job with preparing the materials for us.

I want to thank the institutions for your cooperation in helping us to get the data that we need to have a substantive review so we can ask you intelligent questions and give recommendations to the legislature based on facts rather than just, as Hood Temple used to say, the smell test. This is a whole lot better, and I think it's a lot more beneficial, for conversations between us and between you at the institutional level.

And Carrie, thank you because you guys have been really-- She really listens to the questions that we ask, so when she's coming back to you and asking questions after you've submitted something, it's because she's figured us out and she has a pretty good idea of what questions we're going to be asking her. So that saves everybody a lot of time. Thank you for an excellent job.

Moving on to our first project, which will be Central Carolina.

CARRIE EBERLY: Central Carolina Technical College requests to proceed with a Phase II portion of their Kershaw County land acquisition. They're requesting to purchase approximately 26 acres of land located in Camden. This property is adjacent to the Kershaw County campus which recently opened.

The property is owned by Camden Business Associates. And although this project wasn't specifically on the CPIP, they've been looking for additional properties once they realized the success of the Kershaw County campus.

The total purchase price is \$450,000. The appraised land value is \$495,000, so they will have some equity in this. And then, they've also accounted for an additional \$30,000 for their closing costs and the costs of the appraisal as well as the environmental study.

There is also the environmental study to show that there weren't any environmental concerns, and there are currently no buildings on the property, so a building condition assessment was not needed. The institution did receive support letters from both the County of Kershaw and the Kershaw County School District in support of this purchase realizing that the property would be removed from the tax rolls.

Currently, there will be no additional operating costs with this purchase. Down the road they do expect to build an additional workforce

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development center, and that project is included in their CIP for an estimate of \$25 million. They are using \$10 million of capital reserve funds which was appropriated to them in the last budget cycle to purchase this property.

And Terry Booth is on the phone with us today if we have any additional questions or conversation.

PAUL BATSON: Madame Chair, this is a good project, I think, for Central Carolina. They've got a number of campuses, and I recommend-- I make a motion that we accept this project as presented. And we have Terry Booth, who's the Vice President of Business Affairs on the telephone with us.

Terry, do you have anything that you would like to add?

TERRY BOOTH: [No audible response]

PAUL BATSON: Terry Booth?

CARRIE EBERLY: Hey, Terry. Do you have anything that you'd like to add to the discussion?

TERRY BOOTH: I'm sorry. I was having a lot of trouble hearing anybody but you. I don't, unless there are any specific questions.

PAUL BATSON: Madame Chair, I make the motion that we accept this project as presented.

KIM PHILLIPS: Second.

DIANNE KUHL: All right. Does anyone else have any additional questions?

KEN KIRKLAND: Uh, just for a clarification point, I noticed the last trends in enrollment, specifically the last four years, dropped from a high of 4,577 down almost a thousand students to 3,662. And that's just... I'm just asking the question: Is there a specific reason or is it a situation that needs any further explanation or clarification?

PAUL BATSON: I will turn that over to Terry Booth, but I will comment that the technical college system, as a whole, we're doing our job in getting workers into the workforce. They get the workforce; our enrollments go up. So we've seen that happen. This is not an unusual trend.

KEN KIRKLAND: Not an uncommon trend.

PAUL BATSON: No.

TERRY BOOTH: To follow-up, our enrollment has dropped some. So over the past couple of years what we've seen is it's levelling off, but what we've also found is

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in Kershaw, in particular, with that area growing enrollment is not dropping there; it's actually increasing.

DIANNE KUHL: Terry, one question that was presented to me by a Commissioner, not on the Finance Committee. This is Dianne, by the way.

But the question was raised on the land purchase: Did the owners of the property approach you? Did you all approach them? Or is this just something that you found out about and said, hey, this is perfect for us?

TERRY BOOTH: I'm not sure I can answer that. I know that the President was the one that brought this to my attention. I think maybe gets in some conversation to that with the local community leaders and all is where he found out that this was available. And of course, this was during the time that we were opening up the new facility.

DIANNE KUHL: Thank you. Any additional questions?

[No audible response]

DIANNE KUHL: All right. All in favor of recommending this project?

[Attendees, "Aye"]

DIANNE KUHL: Any opposition?

[No audible response]

DIANNE KUHL: Thank you.

TERRY BOOTH. Thank you.

DIANNE KUHL: Thank you, Terry. Trident Technical College. Carrie?

CARRIE EBERLY: Okay.

DIANNE KUHL: I want to see how many things you can do at once.

[Laughter]

DR. LOUIS LYNN: You leave my IT Tech alone.

[Laughter]

CARRIE EBERLY: Next on the agenda we have Trident Technical College. They are requesting to purchase part of the former American LaFrance Property consisting of approximately 5 acres of land and a 61,316 square foot building for the continuation of the ReadySC Workforce Development Initiatives. This proposal is for both the preliminary and the final land acquisition.

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So usually, we break this up into two parts, but due to the timing of just everything that's been going on and the back and forth that we've had with the counties prior to getting to where we are today, we're going to try to move everything forward so that we don't have to do an additional lease with the property owners and we can actually just purchase it.

So this property is currently used by the Department of Commerce for ReadySC Initiatives to prepare the workforce in the area as different companies come in. And part of ReadySC is to just get the companies up and going and get the people into the facilities, and trained, and ready to go.

This property is appraised at \$7.5 million dollars. The purchase price is \$6 million dollars, and the institution has also accounted for \$50,000 of professional service fees. So, once again, those are the land environmentals, the building reports, as well as the appraisal.

Just to note, they did go back and forth. Originally, they were going to have some different source of funding for this project but due to different things going on in the counties they've broken the purchase up between the college local funds-- which is their excess operating at the end of fiscal years-- of a million dollars and then both the Department of Commerce and ReadySC through the State Tech Board are both contributing \$2.5 million to go towards the purchase price.

The overall benefit for the state, when it comes to ReadySC Initiatives in this area, will be \$18.6 million in the first year. And overall, over a 15-year period, there will be \$237.9 million dollars benefit. And we did include that cost benefit analysis that the Department of Commerce provides when they do their research when it comes to companies coming into the state just for information purposes since this was a little bit of a unique property purchase.

Down the road, Trident Tech will be able to use the facility once ReadySC has kind of completed its workforce development initiatives. So then, down the road this will probably change into a truly academic building for Trident Technical College.

Just to note: We do have a couple of items that we have not yet received from the College, and that is the county education, the School Board District letter of support to remove the building and property from the tax rolls, as well as we are waiting for a complete building condition report.

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They did do a structural assessment and a roof assessment, but just to make sure everything is straight forward with the State Engineer's Office for procurement purposes we did request the full report.

So those two items are outstanding, but we do expect that those items will be completed within the next week or so. So those items should be complete prior to this project going to JBRC April 25th.

DR. LOUIS LYNN: Can I ask you? Will the matrix that we normally look at academic buildings, this is not in cycle for this yet?

CARRIE EBERLY: Yes. So this would not be in the cycle currently because it's not owned by the college. Once the college purchases the building it will then go into the college's inventory and be assessed.

LOUIS LYNN: Where does it stand now? 69, 89, 100 or?

CARRIE EBERLY: We don't know. That would be kind of the building structure report, we're kind of given overall to make sure there weren't any major risks associated with purchasing this property. And in the meantime, while ReadySC is using the building and the property, they'll be the ones responsible for maintaining the facility.

So until Trident Tech fully takes usage of the building, the expenditures and the upkeep will be ReadySC's responsibility. And they do have a Memorandum of Understanding for those between ReadySC and the college just to ensure that the college won't be incurring additional costs while ReadySC is using the building.

DIANNE KUHL: Carrie, is the reason that we don't have the building condition report, is that just because it hasn't-- they're fast tracking the project and it hasn't been done? Where's the problem?

CARRIE EBERLY: So they did two initial reports as part of due diligence when they were preparing. And then, just as the process goes, Department of Commerce usually goes through different procurement-- they have different procurement regulations.

So once it was decided that Trident Technical College-- we just went through the normal list. And so, this is kind of bringing everything full circle for the normal approval process for a college versus the Department of Commerce procurement.

DIANNE KUHL: If this building were to be found to have some significant structural issues that they didn't get on the first round, who would be responsible for those repairs and renovations? Would that be ReadySC or would it be Trident's?

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CARRIE EBERLY: I will defer to the technical college, or Commissioner Batson?

PAUL BATSON: I'd like to introduce some people that can talk about this project, with your consent. Is that okay, Madame Chair?

DIANNE KUHL: Sure.

PAUL BATSON: If I could call your attention to the funding sources up here, and we'll talk about the building and see if we can get an answer -- local funds, Commerce funds, ReadySC... We have with us from Charleston the President of Trident Technical College, Dr. Mary Thornley. We have her Vice President for Finance and Administration, Scott Poelker. And we have Meg Howle, who has been with Trident a long time. And we also have Danielle Young, who represents the State Department of Commerce in this.

This is a project that is essentially today ready for ReadySC, but Trident will benefit from this in the long term.

PAUL BATSON: So, Dr. Thornley can you address the question]?

MARY THORNLEY: Actually, can we all come over to you? We realize this is a new kind of project, so we'd like to all talk to you. Okay?

The Regional Workforce Center, Tim?

TIM HARDEE: Yes. First to answer the question that was raised, and I do want to start by thanking Carrie for her work with us these last weeks. It's been helpful to have you assist us with getting to the point of being here today.

This is a project that really benefits both the whole state of South Carolina. We train about 4,000 people through ReadySC each year. Obviously, there in the Charleston region, Volvo and Mercedes Benz vans will be employing over 5,000 people, and they all have to be trained. And we will be doing that through ReadySC at this facility that we're discussing.

The partnership of the group that you have standing here in front of you today is really a cooperative venture in terms of commerce and the reality that they have made a commitment to the students that are coming to the state of South Carolina.

Our obligation is to uphold that through having the trained workforce, and then obviously try to be serving the Berkeley, Dorchester and Charleston Counties. There's a piece of that which comes with all three attached, and view that in terms training those people that will need to come through there.

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I would have Daniel speak to that piece of the--

DANIEL YOUNG: Your specific question: If something happened, if this building study comes back and there's something wrong with it; either the seller will fix it, or the Department of Commerce will fix it.

I will say that last week, actually I think it was last week. It must have been last week; a bearing blew out on an A/C unit up on top and they got it and they put a new motor in the next day for us. So, we don't plan on Trident Technical College having any part of that or--

MARY THORNLEY: Amen.

[Laughter]

DANIEL YOUNG: --any sort of issue that pops up. Although, I'd be very surprised if something pops up. This is really a nice building. We've been in it for a while.

LOUIS LYNN: What if a-- I don't know the Charleston area. Your main campus will you-- How do you integrate the students to your main campus or is there any need? Are students being integrated between campuses?

MARY THORNLEY: Not really. If you have been to Charleston lately, this is 45 minutes from the main campus on a good day; an hour and a half from the campus on a bad day.

[Laughter]

MARY THORNLEY: It's in Berkeley County contiguous to Dorchester. It is not in Charleston County. So, our goal would be--

LOUIS LYNN: So this is what you can see off the interstate?

[Laughter]

MARY THORNLEY: Yes. So our goal is not to really integrate the main campus into this facility and we have no plans to use it for many, many years.

LOUIS LYNN: So how are you going to provide student services for the participants?

MARY THORNLEY: We have six locations; four of them are campuses-- full service campuses. We do provide Student Services to them. In the meanwhile, at ReadySC they do not provide Student Services.

TIM HARDEE: We'll be responsible for all of that.

MARY THORNLEY: Yes.

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TIME HARDEE: So at ReadySC, here at the beginning, we'll use 100% of the building for training on the college of those 5,000 people that need to be trained.

DANIEL YOUNG: 5,000 from those two companies. And then there's another 5,000 that are coming from other companies that are in that area. So the Charleston area is a huge market and it's exploding. If you've lived down there, don't feel sorry for the [UNCLEAR].

[Laughter]

DANIEL YOUNG: And the other piece I would add to this, is as we look at what's best for the state, our model in the past with the South Carolina Technical College history has been to lease a facility, upfit it, and use that and then move out when the training was completed.

And because of what Daniel was talking about, we have a decade of training that will take place, at least in that region. We've run the numbers and this will be about a \$4 million dollar costs saving for the state by using this model of us purchasing the building rather than our upfit, move out, rent another place, move out. This gives us a long-term presence in Charleston because we need it there.

KEN KIRKLAND: And that was my next question. From a tenure standpoint, do you anticipate this being 10, 12, 15 years or even longer possibly depending on the business need and the demand in the area?

TIM HARDEE: We certainly do. And Commerce continues to attract projects into the state, in particular to those three counties.

KEN KIRKLAND: Oh, yeah.

TIM HARDEE: So we envision being there for quite a while.

LOUIS LYNN: So it's going to be branded and signed to the Tech-- the building is going to have your name? The campus is going to be--?

MARY THORNLEY: Yes, but it will be a regional workforce center.

LOUIS LYNN: ... of Trident.

MARY THORNLEY: Yes sir.

KIM PHILLIPS: So, Louis is in to names.

[Laughter]

KIM PHILLIPS: Now he's going to ask you if anybody paying for that signage.

[Laughter]

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LOUIS LYNN: You've got me figured out.

[Laughter]

MARY THORNLEY: You know, I think it's worth remembering in the community college nationally, a decline began in 2010. In 2011, in our state, a decline began. For Trident Technical College it didn't begin until 2014.

But what we have to keep in mind is: A community college in our state, the technical colleges, work hand-in-hand with Commerce, with ReadySC. It's all about workforce.

So when you actually start analyzing numbers, like in continuing education as well, the workforce enrollment numbers have absolutely not declined.

The work we're doing-- it's just the absolute credit enrollment numbers in the technical colleges that declined, but we're training a workforce. Those numbers attest to that.

DIANNE KUHL: I've got one other question for you. I did notice that the contribution, of course this project is from Tech, that does involve some student tuition and fees. So the-- Obviously, at the end of the day you're going to get a \$6 million dollar building for \$1 million dollar investment. That's not bad.

MARY THORNLEY: Yes ma'am, a \$7.5 million building.

[Laughter]

DIANNE KUHL: Okay. So, my question would be: As you're developing this workforce and bringing folks into ReadySC would the students from Trident have any kind of preferential status? Would individuals from the tri-county area have preferential status over say folks coming from other states or even from other parts of South Carolina?

MARY THORNLEY: No ma'am, they would not. They would not. Do you want to say anything?

DIANNE KUHL: Why not?

DANIEL YOUNG: I'll be happy to answer- We make a commitment to companies. We're-- They come in expecting to be able to hire the best people available. And we cannot give preferential treatment.

If I come in for a job and I'm from one of the tri-counties and I can't read or write; Randy comes in and he's got 5 years manufacturing experience, but he just moved here from Ohio six months ago-- we can't tell companies: You have to hire me over this other person.

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- DIANNE KUHL: No.
- DANIEL YOUNG: That's a non-starter. That's a part of our commitment to the companies we're dealing with. We will provide-- We'll give them the best workforce they could possibly ask for.
- MARY THORNLEY: And Dan, let me give you one example we both know about. The Volvo company, particularly, is close. It's in Berkeley County. The Berkeley County has a real interest in hiring local people.
- But many people were not ready for the sophisticated manufacturing work at the Volvo plant. So, we at the college worked with Commerce, and with Volvo, and created a 62-hour lean manufacturing certificate so that if you have utterly *no* manufacturing experience, but you're interested in working for this plant, and you go through this lean manufacturing certificate for 62-hours, then you're eligible to be interviewed for an entry-level job at Volvo. We're making every effort possible to provide training. And by the way, that's at no cost to the student. In that case, Berkeley County paid for those costs.
- So, we're making every effort possible to hire locally, and to train locally-- *every effort*.
- DIANNE KUHL: That's exactly what I wanted to hear because-- And obviously, you're right. I mean, if you've got two candidates that are wholly unqualified, wholly qualified. But if we do have candidates coming from the tech schools who have those certificates, who have that training--
- MARY THORNLEY: And to continue that, we do have a differentiating tuition. If you're in county, that's one in-state. If you're out-of-state you pay more because we are a local college. We're a community college.
- TIM HARDEE: In terms of ReadySC, if I might address that just a little bit. We've operated for about 50 years through our training facilities and across the state for industries and commerce. Ninety-six percent of the people we've trained over those 50 years are South Carolinians. So, the vast majority are being trained at our center.
- KIM PHILLIPS: Just a couple of comments. You won't have enough people if other people don't come in?
- DANIEL YOUNG: That's where you're right.
- KIM PHILLIPS: That's what I do-- I deal with-- So if you don't bring-- And, [UNCLEAR] I agree with you 100%. Locals should be first, if at all possible, or South Carolinians, but you won't have enough to do it if you do it that way.

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We don't have enough now. We don't have enough, and not just in your-- your county. Your area is exploding, so good for y'all on that.

And the other thing, I love there's like five different groups up here, but you've never said where it'll be Charleston County or Berkeley. Know what you've said? The state. That's what we talk about. I don't know if somebody told you that before you came or not [laughter] but that's what we want to hear.

It's not just--

TIM HARDEE: How'd we do?

[Laughter]

KIM PHILLIPS: Yeah, you did well on that one. But, I mean, I'm really happy to hear that. You're talking about what's good for the state. So, congratulations on that, and probably, if things keep going-- I mean, in our area here, there are three new companies coming with 1,000 jobs. We'll probably have to steal some from you guys to hire. Your building probably won't be big enough to train them all in the ten years.

TIM HARDEE: Yes sir.

KIM PHILLIPS: So congratulations.

PAUL BATSON: And Madame Chair, adding on to what Kim was saying - One of my clients was an owner of a company that supplies BMW, and Mercedes, and Volvo. And he told me-- and this was a very great example of what you just brought up.

He told me a couple of months ago, he said, "Paul, employment in your state-- the manufacturing is going to increase over 60% in the next ten years." He said, "You know why?" He said, "It won't be just local... We're going to be benefitting from Volvo."

So, just to your point, this ReadySC project is a great example of the benefit to the entire state of South Carolina.

And I want to-- I didn't recognize them earlier, but I want to recognize Dr. Tim Hardee, who's President of the State Tech System. I think we all know him. Randy Johnson, who is relatively new, who is our CFO at the Tech System.

This is an outstanding group.

DR. LOUIS LYNN: For Commerce, you've got an acre and a half building on five acres of land. That just begs for more buildings.

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DANIEL YOUNG: Will you say that again?

LOUIS LYNN: You've got an acre and a half building on five acres of land that you're acquiring.

DANIEL YOUNG: Do we plan on building any more buildings on the site?

LOUIS LYNN: It kind of begs for some more buildings.

DANIEL YOUNG: Maybe parking lots.

LOUIS LYNN: Okay.

SCOTT POELKER: There's a pond, wetland, for the water. That takes up a good portion of the land. And so, the rest is parking.

TIM HARDEE: Yes, we will need the parking for all this.

[Laughter]

KEN KIRKLAND: Great job. Great project.

CARRIE EBERLY: Will you guys just highlight the reason why Trident Tech is going own it rather than the State Tech Board or even the Department of Commerce?

MARY THORNLEY: I can start that off. We work with Berkeley, Charleston and Dorchester counties. They're as different as night and day. If you look at Scott, Meg and me we're not exactly spring chickens. [Laughter] We've been around a while.

The counties are very comfortable working with Trident Tech; very comfortable. We have a relationship with them that spans decades. It would be a precedent to have the State Tech or Commerce on the building. The counties will be very comfortable. They just see this as a continuation of the relationship that comes from the 1960s.

TIM HARDEE: I'll just add to that and include that we operate at 16 colleges across the state as a system, and this is a Charleston region project. And for us, it makes sense for that to be landing with Trident Technical College simply because it is contiguous with those three counties that Dr. Thornley already serves. So, it's just a natural piece for us. It's a better fit with this model.

LOUIS LYNN: Is there a private sector competitor for what you're doing?

MARY THORNLEY: A private sector competitor?

KIM PHILLIPS: A for-profit or private school --

LOUIS LYNN: Yeah. A for-profit.

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SCOTT POELKER: Not ReadySC training--

MARY THORNLEY: Not really. No.

DANIEL YOUNG: ReadySC as part of the incentives of-- pre-employment training as part of the incentives the state in offering this from the first incentives they offered ten years ago. As a matter of fact, one of [UNCLEAR].

LOUIS LYNN: But we've had like the aviation schools, and the for profits, but they don't play in your space?

MARY THORNLEY: We'd rather chase them away.

[Laughter]

KEN KIRKLAND: Good for you.

KIM PHILLIPS: Amen. Amen. Keep a big stick. Well, I tell you I move we do this.

KEN KIRKLAND: And I second. Absolutely.

DIANNE KUHL: So you're moving that we recommend a vote?

KEN KIRKLAND: Amen. I like it.

DIANNE KUHL: Okay. We have a second. Are there any additional questions?

[No audible response]

DIANNE KUHL: All right. All in favor?

[Attendees, ""Aye""]

DIANNE KUHL: Any opposition?

[No audible response]

DIANNE KUHL: Congratulations.

MARY THORNLEY: Thank you.

DANIELLE YOUNG: Thank you.

DIANNE KUHL: We look forward to you coming back and telling us how well this is going.

MARY THORNLEY: Count on that.

CARRIE EBERLY: Tell them the reports are still needed, though.

DIANNE KUHL: Carrie still wants your reports.

[Laughter]

DIANNE KUHL: Okay. Ms. Carrie, I believe we're moving on to Clemson.

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CARRIE EBERLY: Next--

LOUIS LYNN: You can save some time if we're going to head into the approval of the next one and just moved on. [Laughter]

DIANNE KUHL: Good luck with that.

[Laughter]

CARRIE EBERLY: Our next request is for Clemson University. They are requesting to proceed with Phase II and establish the full design and construction budget for a child care facility. This project has been on the university's CPIP for several years and the Phase I was actually established as a CPIP project. So we did that at the staff level a couple of years ago, and now they are ready to proceed with Phase II.

The total budget is \$5 million dollars, which is a combination of Prudential settlement funds and operating revenue, and I will circle back to the definitions of both those sources of funds. But just so we all know, they're going to be constructing a 12,700 square foot child care facility. The facility is intended to serve Clemson faculty, staff and students and accommodate 130 children and 30 full-time staff at capacity.

Just so we know, a state law requires it to be open to the public, so although it's intended for Clemson -- if someone from the public does come out they'll honor that as well.

The total budget is consistent with the internal estimate and as we start going into the Prudential settlement fund, when Prudential demutualized in the early 2000s, the university received the settlement funds. And they made every attempt to reach out to the employees, the faculty, staff that had participated in those programs to kind of refund their distributions that they had put into the system.

And they did consult with legal counsel on the process of that and to make sure that as they were planning for what they would do the remaining funds that they were within legal authority. They did wait before they proceeded to construct the construction process for the child care center. And in South Carolina the statute of limitations for civil claims, which is what this would fall under, is three years. It's been over ten years that these funds have been available to the university. They've accumulated some interest on it; so therefore, everything should be ready to go. And since the university, faculty and staff have requested something like this for many, many years; and since the Prudential funds originated from faculty staff contributions, what better way than to give back to the faculty and staff that gave the funds to begin with.

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LOUIS LYNN: Hear, hear.

CARRIE EBERLY: The remaining \$500,000 will come from operating revenue from the general university. And just to be clear, this is not student tuition and fees. These would be separate activities that generate revenue such as the testing services that they offer on campus; campus events; if they have any concerts; the camps and the community events that would happen. So no tuition and fees. I just want to reiterate that.

The location of the facility will be on the outside of campus, in a general location to where the now outdoor fitness center is; so on the periphery. This is a great location for faculty and staff as they're coming onto campus. So there's easy access for them as well.

We did discuss a little bit about the prices that the university was going to be-- Not the university, but the third-party vendor would be charging to the people that would be utilizing this facility. And those prices will be set by the third-party vendor in conjunction with consultation with Clemson.

So we don't know an exact idea how much that's going to be, but their intention is to be within market rate. And when they did a study a couple of years ago, it was about \$130 per week was what it was. So you can expect that it's going to be little bit higher-- just to the change in time. And because this child care facility will be nationally accredited, it's more likely it's going to be a little bit higher than maybe some of the smaller businesses just due to the qualifications and the credentials that the center will have.

The operating cost of the new facility will be \$82,515 for maintenance and utilities. And these costs will be absorbed by the third-party vendor. The third-party vendor, essentially, won't recoup revenue or make revenue as long as the building is taken care of. The construction is estimated to begin in September 2018, with completion anticipated for February 2020.

And we have representatives here if there are any additional questions.

DIANNE KUHL: Louis, will you be naming this building?

LOUIS LYNN: It's a child building. [Laughs]

KIM PHILLIPS: That's why she asked you that.

[Laughter]

PAUL BATSON: Madame Chair, a question on the operating revenue side of the funding of the project. Five hundred thousand is supposed to come out of

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operating revenue which-- please correct me if I'm wrong. Is that revenue that's going to be generated by the child care center?

RICK PETILLO: Good afternoon.

PAUL BATSON: Good afternoon.

RICK PETILLO: I apologize. Anybody who works for me can attest I'm no Brett Dalton, but I will do my best to answer any questions you have.

PAUL BATSON: Well, my question is: How do we get a half million dollars when the center's not on here?

RICK PETILLO: The half million dollars is revenues that we've already collected on other self-generated revenues. Things like: ticket sales for concerts on campus; when our Engineering Department does 3-D printing for third-party entities; and things like that. It's that revenue, not revenue that's generated by the child care center.

PAUL BATSON: So it's like auxiliary enterprises-- like auxiliary services?

RICK PETILLO: Sales of educational and general activities; not necessarily auxiliary services.

PAUL BATSON: Okay.

LOUIS LYNN: I will say, Rick and Beth, I've been on the Board for over 30 years and we feel like this facility that we lose opportunities for faculty members, for family-- for graduate student families. In my 30 years, I've heard about it almost every year. It's something we've wanted and needed on our campus. So.

KEN KIRKLAND: But it won't be exclusive to Clemson and their faculty and students. So there's no-- It's certainly first come, first serve. So if an outside family, or employer, sends somebody over; they would have--

RICK PETILLO: Right.

KEN KIRKLAND: --just must as much opportunity as a Clemson employee. Is that what I'm hearing?

RICK PETILLO: Correct. There is a statute that I don't want to misquote, so I'll briefly read to you what it says. But, of course, my phone's not cooperating now. But I have that. But it essentially says that state-run child care centers, or early development centers, cannot restrict enrollment solely to faculty, staff and students of the institution.

Now, this will be run by a third-party so we're going to observe the spirit of that. We're not going do a question of whether or not it's state-run.

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And it also stipulates that we can't charge-- that the center cannot charge different rates for Clemson faculty or staff, versus the community at large. The intention is certainly to provide this for our faculty, staff and students, but we're going to abide by the statute. And we can't say: *Sorry. You can't come here because you're outside the--*

KEN KIRKLAND: And the 30 employees and the expenses that are tied to the facilities and whatnot, is all borne by the third party?

RICK PETILLO: Correct.

KEN KIRKLAND: They'll be taking care of all of that?

RICK PETILLO: Correct. That will be included in the vendor selection.

And I do just want to clarify something that Carrie said. We did do a market study of tuition in the market back two or three years ago. And we did get a sense of what that market is. But that market is not nationally accredited which is the reason we've had so much demand for this. I don't know what a nationally accredited facility will cost to operate. That's something we're going to explore through the vendor nominations.

KIM PHILLIPS: And I would think, it'll hold 130. I would bet, once it's announced, you'll have 500. How do you decide if you have 500 families sign up the first month and want it; how do you decide who gets it?

RICK PETILLO: It's going to be first come, first serve-- who signs up for it. I don't know what the exact process would be, but we're certainly not strangers to having excess demand for seats in certain venues. So.

KIM PHILLIPS: The faculty, for lack of a better way of saying it, won't get first choice? It'll be advertised, put out there. I'm not saying that they shouldn't. It's just, that would look bad. I would think.

RICK PETILLO: Yeah. I'm not an expert on the best way to do that. So I don't think-- We're certainly not going to try to box anybody out of participating in this. But I don't know what the prior system would be in terms of if there was a tie of who showed up first or something like that.

LOUIS LYNN: It would be a great recruiting tool for us too, when new faculty-- both members are faculty members that they know there is potential.

KIM PHILLIPS: Oh, I think it's a great idea.

KEN KIRKLAND: It can be full in two days.

LOUIS LYNN: Can I move for approval?

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DIANNE KUHL: The law, I think, says you can't discriminate in admissions. And I don't think the law says that you have to advertise it everywhere. So, you could--

RICK PETRILLO: Right.

DIANNE KUHL: So you could advertise amongst your family and then if somebody and wants to follow-up.

RICK PETILLO: Yeah. I mean, I don't think we're going put ads in the Greenville News saying, *Sign Up and drop your child off at daycare.*

[Laughter]

RICK PETILLO: But you're right. We don't need to-- we're not going to exclude people, but the obvious intent is for faculty and staff.

DIANNE KUHL: Louis, I've got one more question, if I may.

DR. LOUIS LYNN: Okay.

DIANNE KUHL: And what you've just heard from Carrie is exactly what I was talking about. She answered some of the questions that Ken and I were going to ask you today. So.

RICK PETILLO: Thank you, Carrie.

DIANNE KUHL: I was very concerned about the Prudential clause and whether or not you had any liability of people coming back down the road. So it's very comforting to know there is a statute of limitations on there.

My other question for you, I'm not seeing the lease that you have with the private vendor because, obviously, they have not been selected yet, but will you have a clause in that lease requiring them to maintain a certainty of Level 2 or whatever building condition? If they're responsible for that, are you going to require them to keep it to a certain level of condition?

RICK PETILLO: We're going to require-- the contract will stipulate a certain level of maintenance. I don't foresee us requiring them to meet a specific stated standard. We'll probably specify what they have to do, that would be in keeping with what we do with the rest of our facilities.

And Carrie and I have already discussed any contracts with a third party vendor will have termination for cause if they fail to do much damage. Just like any third party in the contract would have.

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KIM PHILLIPS: And I guess the same thing. Child cares can be touchy with young children and adults. They're responsible for any craziness that their people may do?

RICK PETILLO: Absolutely. We're not-- We're well aware that if there was something to happen at the center that it is Clemson affiliated. So we're obviously not taking that lightly.

KIM PHILLIPS: Right.

RICK PETILLO: But, then it will be their employees. They will have part of the accreditation standards, certain screening and education requirements, background requirements. We also have a branded vendor that we're working with, that they have criminal background requirements and things of that nature. So, that is something that will be their liability, but we're also actively aware of and working to manage because it doesn't-- It doesn't do anybody good if there is an issue, and then there's a problem with their liability. We realize it's going to be affiliated with Clemson.

LOUIS LYNN: We have a robust risk management process that includes all entities. And as a Board sense, there are so many corporate guys. We've watched, and questioned, and we're satisfied with that part of what we're going to do there.

DIANNE KUHL: All right. Mr. Lynn, I believe you have a motion.

LOUIS LYNN: I move that we approve this proposal.

KIM PHILLIPS: Don't say anything. I think should make him sweat it out.

[Laughter]

LOUIS LYNN: And I second it to, then.

[Laughter]

DIANNE KUHL: I don't think you can second it.

LOUIS LYNN: Oh? Okay. [Laughs]

DIANNE KUHL: Not unless you plan to name it.

DR. LOUIS LYNN: I move we approve it.

KIM PHILLIPS: Second.

[Laughter]

DIANNE KUHL: All in favor?

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[Attendees, ""Aye"]

DIANNE KUHL: Is there any opposition?

[No audible response]

DIANNE KUHL: Thank you for being with us today.

RICK PETILLO: Thank you.

LOUIS LYNN: Now they don't need to come back?

DIANNE KUHL: All right. Thanks, Paul. Commissioner Batson has to go chair another meeting, so he's going to be stepping out.

LOUIS LYNN: And the university won't need to come back, except to brag about how well it's doing someday.

[Laughter]

LOUIS LYNN: They're through with us?

DIANNE KUHL: Clemson likes to brag about how well they're doing?

LOUIS LYNN: Do we. [Chuckles]

DIANNE KUHL: I hadn't noticed that.

LOUIS LYNN: So this the last time for this project?

CARRIE EBERLY: Correct. Unless somewhere down the line they have a change in scope or an increase in budget. Then they'd have to come back to us. So as long as they can do everything within \$5 million dollars then there's no additional Commission or recommendation.

LOUIS LYNN: Okay. And we have contingencies in it, don't we Rick?

CARRIE EBERLY: Um-hmm.

RICK PETRILLO: We do.

CARRIE EBERLY: Yes.

LOUIS LYNN: Okay.

DIANNE KUHL: Okay. The University of South Carolina Speech and Hearing.

CARRIE EBERLY: Up first for the University of South Carolina on the Columbia campus is a Phase II request for the Speech and Hearing Upfit for the Department of Communications, Sciences and Disorders. This is a Phase II request, so they are requesting to proceed to the full design and construction to renovate and upfit 23,000 square feet of available space in the Close-

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Hipp Building. If you'll remember, back in November 2017, we approved Phase I for \$30,000.

Since Phase I was approved they have been approached by a private company, or a private foundation, that has donated the majority of the funding for this project. And they're actually going to be able to expand their renovation. Originally, it was a 20,000 upfit of the Close Hipp Building. And now they're expanding that to 23,000. And this caused \$400,000 increase in their budget.

Just to make a quick note about that - Although the budget is increasing \$400,000; \$300,000 of that is coming from the private foundation. So they upped their donation, and then only a \$100,000 is being charged back to the university in the programmatic side of this.

The university's Speech Department will be moving back onto the main campus from leased space on Lady Street. Their lease is up next year and the building ownership has changed. And so, essentially if they don't move back onto campus they may be without space. So this is the most effective way to get them back on campus, and it's a great opportunity since they do have the private donation involved.

Just when it comes to the institutional funds, this would be from the department revenues. And they generate revenues for the evaluation and diagnostic assessments that they perform, the treatment sessions and they have sessions for both individuals and in the group setting. And then they also do hearing evaluations.

Just in general, and in addition to providing department funds, the revenue collected also pays for salaries and the operating expenses for the area. The construction contract is estimated to begin in October of this year, with completion anticipated for May 2019 which will align with the end of the lease.

This is a separate project from the general Close Hipp renovation, so when you look at the building condition score of 47, they're bringing the project up under a different project in totality. And this is just addressing one of the floors in the Close Hipp Building.

And, just so every knows, moving forward the renovated space-- the maintenance for the renovated space will be funded from the E&G fund. And there's about an \$80 per student charge per semester student fee.

Are there any questions?

DIANNE KUHL:

Carrie go back and-- Okay, the maintenance. That's coming from E&G?

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CARRIE EBERLY: Correct.

DIANNE KUHL: Okay. Thank you.

CARRIE EBERLY: Um-hmm.

LOUIS LYNN: And maybe USC could clarify. Since you provide services, is there a certification and compliance agency that gets involved with the move that could surprise us? Speech and-- Is there kind of a group that--

RICK KELLY: You mean is there an accredited board for the practices [UNCLEAR]?

DR. LOUIS LYNN: Yeah. Yeah.

RICK KELLY: I'm sure there is, but--

LOUIS LYNN: But they won't involve this meeting? I mean, this?

CARRIE EBERLY: The university is already providing these services in the leased space, so they're just moving the services into a new location--

LOUIS LYNN: So that's--

CARRIE EBERLY: --so that the providers would already be licensed and certified.

LOUIS LYNN: The building doesn't need any kind of certification?

KIM PHILLIPS: You're meaning ramps, or elevators, or something of--

LOUIS LYNN: Yeah, or spec facilities kind of--

DIANNE KUHL: [UNCLEAR- whispering] they have to have that anyway.

CARRIE EBERLY: Yeah. It depends [UNCLEAR- whispering].

DIANNE KUHL: I think that they would be okay.

KIM PHILLIPS: Yeah, they pretty much have those anyway.

CARRIE EBERLY: For... like ADA Compliant.

DEREK GRUNER: Well, I can say that the building itself is handicap accessible. There's going to be parking designated. This is a facility with an accessible route into the building, with the elevator right there to take anybody up to the second floor where this clinic will be.

LOUIS LYNN: Okay.

DIANNE KUHL: So what's the annual revenue that comes in from services generated by this department?

RICK KELLY: Annual revenue. Do you know the budget?

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DEREK GRUNER: Ms. Varnedoe is on the phone if she would like to comment.

DANIELLE VARNEDOE: This is Danielle, I'm the Director of the Speech and Hearing Center. What was the question?

DIANNE KUHL: What's the annual revenue that you generate from services?

DANIELLE VARNEDOE: Oh, okay. Well, we bill out a lot of third party payments. We generally bill out between \$650- and \$700,000. But what we get in return is approximately \$400,000. That's an average. Sometimes we get a little less. Sometimes we get a little bit more. It just depends on, you know, number of cancellations and that type. But generally speaking, we shoot for \$400,000 that we generate from our seen patients.

DIANNE KUHL: Is there a reason-- Thank you. Is there a reason that fees from services are not being used in application against maintenance?

DANIELLE VARNEDOE: I have no idea about that component.

DIANNE KUHL: Why is there a student fee that's going to pay for maintenance if this division continues to generate funds?

RICK KELLY: I mean, I think it's just because it is just not enough money [UNCLEAR-- Background coughing] from the service provider contracts. There is not enough money to cover all the expenses that [UNCLEAR].

The \$400,000 only covers a portion of what they allocate. We get money also from research grants and indirect cost money. They get money from tuition. They get things like that too, as well. There's just not enough money in any one pot to do that on.

DIANNE KUHL: Well, I will say, this is the way to bring a project to us, where you've got \$1.8 million of it funded by private funds, that's good. I like that.

[Laughter]

LOUIS LYNN: It's going to be a naming opportunity to net \$8 million dollars.

[Laughter]

RICK KELLY: I wish I could stand here and tell you that every project that we brought we could get 75% of it done by private funds.

DIANNE KUHL: I have great confidence in you, Rick. I know you that's what you want to do--

[Laughter]

LOUIS LYNN: Dianne I have a follow-up for Rick. Who's your largest-- The project donor is an individual?

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RICK KELLY: Yes sir.

DANIELLE VARNEDOE:Yes.

RICK KELLY: It's actually, I think, a faculty member.

LOUIS LYNN: Brag about him – who is he? and what'd he...? Somebody just decided to stroke you a million dollar check?

DEREK GRUNER: Correct me if I'm wrong--

DANIELLE VARNEDOE:He is--

DEREK GRUNER: I'm sorry. Go ahead.

DANIELLE VARNEDOE:Are we allowed to say who that donor is? And is Derek?

DR. LOUIS LYNN: Okay. That's all right.

DEREK GRUNER: I think the donor wants to remain anonymous.

DANIELLE VARNEDOE:Yes. Yes.

DEREK GRUNER: But it is a faculty member that's been with the department for years. He's retiring soon and...

RICK KELLY: This is not a huge department, obviously. And anonymity probably comes from the fact that there's one of a small group people in that faculty, and it's pretty darn courageous of them to award.

KIM PHILLIPS: Why aren't you reimbursed fully for services?

DANIELLE VARNEDOE:Because we're in network with most insurance companies, and so it's a contractual agreement. We tell them what our fee is and they counter and tell us what they will pay. Some of those are set by the Medicaid MCOs. They'll only pay so much. Blue Cross Blue Shield doesn't pay per contract. It just--

KIM PHILLIPS: Right.

DANIELLE VARNEDOE:--does not pay, probably, half of what we charge for an evaluation. And we've not been able to get at the table with them in order to renegotiate that contract. But we are fortunate that Medicaid MCOs reimburse pretty close to what we charge.

LOUIS LYNN: Does your student health service-- if a student needs... can they be serviced too? Your current student body? Do they use it or have access to it?

DANIELLE VARNEDOE:Oh, the Student Health Center? Oh, absolutely.

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LOUIS LYNN: Okay.

DANIELLE VARNEDOE: Yes, they do.

DIANNE KUHL: Do you have any additional questions on this project?

LOUIS LYNN: Madame Chairman, I move for approval.

CARRIE EBERLY: Will you make a-- Hold on one second. Will you make your motion to accept both the scope change and the increased budget?

LOUIS LYNN: So moved.

KIM PHILLIPS: Just say, "Okay".

LOUIS LYNN: Okay. Yes. What are we asking for?

DIANNE KUHL: The motion on the floor is that we will recommend approval of this project to include both the scope change and the funding change.

CARRIE EBERLY: Mm-hmm.

DIANNE KUHL: Okay. And we have a second from Commissioner Kirkland?

KEN KIRKLAND: Yes.

LOUIS LYNN: And for clarity, this is the last time they need to bring this to us?

CARRIE EBERLY: Unless they have a change in their budget, yes.

[Laughter]

DIANNE KUHL: If somebody else wants to give you more money for it we're okay with it.

[Laughter]

DIANNE KUHL: All in favor?

[Attendees, "Aye"]

DIANNE KUHL: Any objection?

[No audible response]

DIANNE KUHL: All right. Moving on to the Swearingen Roof Replacement.

CARRIE EBERLY: The second item for the University of South Carolina is a Phase I request to establish a project to replace the roof on the Swearingen Engineering Center. Swearingen is one of the largest buildings on campus and has a total gross square footage of 217,466 gross square feet and the area of the roof is approximately 71,000 gross square feet.

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This roof is original to the building, so it's 31 years old and it has reached the end of useful life. This request is for Phase I, \$30,000 (which is one and half percent of the total budget). The university will be utilizing the Institutional Capital Project Fund for this project in totality. And, once again, this is for Phase I.

The overall building score on this building is a 75. The roof has physical condition and leaks for the ratings had a 4. So that's kind of their big indication, but a time to replace the roof at this time.

And then just based on my estimates, at a minimum, I think the overall building score will increase to a 77 just with adjusting those couple of items. And the total maintenance needs right now are \$7.1 million. And I think that the reduction will be about \$951,000 by replacing the roof. And this is not anticipated to impact the operating expenses.

DIANNE KUHL: Does anyone have any questions on this project?

LOUIS LYNN: One for their architect, Derek. Don't you have a kind of a predicted life of a roof? And this one-- so as you look at deferred maintenance, wouldn't this have come up before 31 years? Or are you replacing by inspection or by calculation?

DEREK GRUNER: We expect our roofs at least twice a year. We put a person up on the roof to evaluate the condition. And we've patched roofs trying to extend their life a little bit too.

LOUIS LYNN: Okay.

DEREK GRUNER: So we pretty typically see 30 years out of our roofs-- 25 to 30. And we always require a 20-year warranty, but we routinely exceed the life of the warranty with our inspections and patches.

Does that answer your question?

LOUIS LYNN: Yes.

DIANNE KUHL: And may we assume that you've been anticipating this need and have been setting funds aside to pay for it?

DEREK GRUNER: It's been part of a 5-year plan. We have a list of roofs on our campus. The top 10 or 15 roofs, and it's just worked its way up the top in the priority. And this is now the number one priority. You'll be probably seeing some more roof projects in the future. It's a \$60 million dollar Building -- bubbling up to being number one priority.

LOUIS LYNN: And the roof never moved into life safety? The projects never moved into life safety for roofs?

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DEREK GRUNER: Well, not in a direct phase in a sense of a mechanical system requirement requiring an alarm system, but I would say that if you have roof that leaking and it's allowing moisture into your building, that could create conditions of mold and mildew and it could directly affect life and safety.

DIANNE KUHL: I will say that I would hope you replace this and have a nice, new roof on your building that you would plan for a replacement in another 30 years or so, and that would be budgeted moving forward.

LOUIS LYNN: I move for approval of this proposal.

KIM PHILLIPS: Second.

DIANNE KUHL: Are there any additional questions or discussion?

[No audible response]

DIANNE KUHL: All in favor?

[Attendees, "Aye"]

DIANNE KUHL: Any objections?

[No audible response]

DIANNE KUHL: All right. Here we go. Back to the Medical University of South Carolina.

CARRIE EBERLY: The first project for the Medical University of South Carolina is a Phase II request to proceed to full design and construction to repair the exterior envelope of the Basic Science Building. This is a 47-year old building that's been affected by various rain storms over the past couple of years. And the scope of this project will replace the windows, and replace the roof, and do some exterior wall modifications.

Phase I was approved back in October 2017. This increase in budget request is for \$6,895,000 for a total budget of \$7 million dollars. This is consistent with what they anticipated with their Phase I. This project was not included in the most recent CPIP because they hadn't finished doing their evaluation on the building at the time that the CPIP was submitted.

The project won't be lead certified or green globe certified, but the roof replacement will increase the insulation value and the window replacement will help seal the envelope from water and air intrusion.

In regard to the warranty, the roof will have a 20 year warranty, which is standard, and the windows will also have standard warranty and be hurricane resistant-- have hurricane resistant glass installed.

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The source of funds for this project is the Institutional Capital Project Fund. The total amount will be funded out of ICPF which has a current uncommitted balance of \$22 million dollars.

We did address the building condition scores with the university. We had some concerns last month about the rating scores. They have updated those building condition scores for us in addition to their entire building condition assessment. And we did receive that information in a timely manner, and it was certified by the President as requested previously.

And the only other item that I would note is that: Although not necessarily the overall building score would have changed, the main items that they are addressing do have the four ratings such as the physical condition, the waterproofing and the caulking on the exterior wall system, the physical condition, insulation and leaks on the roof system are all fours, as well as just the physical condition and the infiltration which is the air and water intrusion on the windows.

As a result of this project no additional operating costs or savings are expected.

DIANNE KUHL: Okay. Do we have any questions or comments?

[No audible response]

DIANNE KUHL: All right. Do we have a motion to accept this project for recommendation?

KIM PHILLIPS: So moved.

LOUIS LYNN: Second.

DIANNE KUHL: All in favor?

[Attendees, "Aye"]

DIANNE KUHL: Any opposition?

[No audible response]

DIANNE KUHL: All right. Thank you again, MUSC for getting that information to us.
The Storm Eye.

CARRIE EBERLY: The next project for the Medical University of South Carolina is also a Phase II request to proceed to the full design and construction for the Storm Eye Institute chiller replacement. If you'll recall, this was a project that we also recommended for Phase I in October 2017.

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The original budget was anticipated to be about \$2.5 million. When they did their external estimate, the estimate came in lower-- about \$450,000 lower than the Phase I projected costs. And just as a reminder, this is to replace two of the chillers. One has completely failed and the other is operating at 50% capacity. The Storm Eye Institute is currently borrowing that chilled water from the hospital, so this will allow the hospital to have its own water again and for the institute to be able to operate itself.

This is not going to be lead or green globe certified since it is a replacement of equipment. And they are doing design rebuild. The construction is estimated to begin in September 2018, for completion by March 2019.

Just as a reminder, this was Year 1 priority on the most recent CIP submission.

DIANNE KUHL: Any questions or comments on this project?

LOUIS LYNN: Move for approval.

DIANNE KUHL: Second.

DIANNE KUHL: All in favor?

[Attendees, "Aye"]

DIANNE KUHL: Any opposition?

[No audible response]

DIANNE KUHL: All right. Hollings Cancer Center.

CARRIE EBERLY: The third request for Medical University of South Carolina is the Hollings Cancer Center 3rd Floor Renovations. This is a Phase I request to establish the project.

The request is \$67,500 which is one and a half percent of the total internal estimated budget. This is a request to renovate 14,500 square feet on the third floor of the Hollings Cancer Center. This particular project was a Year 1 priority on the most recent CIP. The University also plans to do additional renovations on the fifth and the sixth floors, over the next 5 years, for a total investment of \$8.5 million in this five year period.

The purpose of this project is to renovate the area so that the research that's being conducted will be more efficient. Currently, the space is individualized for each researcher. So by opening it up it will encourage collaboration amongst the researchers.

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And this is the only National Cancer Institute designated center in South Carolina and it's only one of a couple in the nation. So it is a leading cancer research center here. They do research programs around cancer biology, cancer immunology, developmental cancer therapeutics and cancer control.

To address the ENG portion, we always have questions when there's research involved. This is one of those opportunities where the students would have research opportunities and would be able to participate.

Maintenance of the facility is split between education and general, as well as the clinical program. This is an actual cancer treatment center as well, so they do have the clinical side. And then to address that, the source of funds for this project is the program revenues that would be generated from the hospital side.

When comes to addressing maintenance in the building, the space that E&G would be E&G, and then they do charge the renovations upon request to the clinical programming side.

There are no additional annual operating costs or savings identified with this project.

DIANNE KUHL: Any questions or comments?

LOUIS LYNN: Since these are specialized labs--

CARRIE EBERLY: Mm-hmm.

LOUIS LYNN: --is the renovation covering-- It's just covering the walls, and the floors, and doors. It's not-- Is it specialized-- particularly the new lab stuff, included in this? Or is it just the physical building?

CARRIE EBERLY: Like cosmetic versus--

LOUIS LYNN: Yeah. You're talking about new lab equipment will be purchased and--

CARRIE EBERLY: Mm-hmm.

LOUIS LYNN: But we're approving the building, not the stuff in the building?

CARRIE EBERLY: Let's look on the--

LOUIS LYNN: It's not clear.

CARRIE EBERLY: --on the A1. I think they have an allocation for equipment.

LOUIS LYNN: Okay.

CARRIE EBERLY: Greg, do you know about off the top of your head? If any?

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GREG WEIGLE: Yes. I think I heard the question. Equipment is included. So this is, again, a programmatic renovation of existing lab space to bring it up to what current practices are in cancer research. So it does include some equipment and lab furnishing in the budget.

CARRIE EBERLY: And we'll see that at their Phase II request. Phase I just does the professional fees for A&E to get the true picture of the total cost and what it will look like-- the layout, and then they'll outline the additional costs and whatever else they'll be able to fit into their budget at Phase II.

LOUIS LYNN: I just did some quick math on the square footage being renovated and the costs, and this is a pretty good deal they're getting.

CARRIE EBERLY: Mm-hmm.

DIANNE KUHL: Carrie, I've got a question for you. Since the internal project cost estimate is \$4.5 million, but they only have an uncommitted balance of \$2.5 million here now.

CARRIE EBERLY: Mm-hmm.

DIANNE KUHL: Where are they planning on getting the other \$2 million?

CARRIE EBERLY: Greg, do you want to speak to that or do you want me to?

GREG WEIGLE: I'm sorry. I'm having a hard hearing the question. I apologize.

CARRIE EBERLY: We're just talking about the uncommitted balance available for this project currently. The total estimated project is \$4.5 million, and the uncommitted balance is \$2.5 million.

And I think the answer to the question is: It's net of the balance committed to this project. So the \$4.5 million has already been committed at the institutional level. And so--

DIANNE KUHL: This is what's left over after they do this?

GREG WEIGLE: Yes.

CARRIE EBERLY: Yes.

DIANNE KUHL: Okay.

GREG WEIGLE: Yes. This is. Sorry. Thank you.

CARRIE EBERLY: Mm-hmm.

DIANNE KUHL: Thank you.

Okay. Any additional comments or questions?

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DR. LOUIS LYNN: Move for approval.

KEN KIRKLAND: Second.

DIANNE KUHL: All right. All in favor?

[Attendees, "Aye"]

DIANNE KUHL: Any opposition?

[Attendees, "Aye"]

DIANNE KUHL: Okay. Thank you.

All right. Our final item is a lease approval for USC Columbia for the Park 7 lease.

CARRIE EBERLY: The University of South Carolina Columbia campus requests approval to amend its current lease with the Park 7 Group and exercise its option to lease an additional 216 beds for the remaining two years of the initial term.

We originally approved the initial 3-year term back in December 2016 for a total of 424 beds. This option would bring the total beds up to 640 and it would keep all the students in one location.

Park 7 was primarily a freshman housing option. The additional beds will allow the university to save money on the administration costs while keeping freshmen in a central location that is already managed under the purview of the university. So when it comes to security and operations, that would be a cost savings for the university.

The amended lease will address the continued housing shortage the university continues to experience. Last year they utilized their flex-bed space which is 150 beds. They were still short 346 beds in the fall of 2017. So all of those students had to be pushed into private housing that was coordinated by the university.

By adding these additional beds the university is planning not to have to have those excess students go off campus this year. And in addition to the 216 beds, they'll be able to utilize an additional 110 beds that previously was saved for international students. The university has worked with that program to do an entire international student housing separate lease space for them so that they'll be in one place as well. And then, they'll use the 150 bed flex-space when how they will triple and quad up rooms. So with the combination of those three sources they do expect that they'll be able to meet their housing demand this fall.

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The current lease provides a minimum of \$50 per month utility charge, per bed with a potential additional charge for \$25 per bed or if their usage exceeds the allowance. For all of the beds, that equals about \$381,600 for the base \$50 utility charge. And the maximum exposure, if the average reaches the maximum \$75, is \$572,400 per year. Just as a reference point, during this first year they haven't exceeded that \$50 per bed, per month allowance.

In addition, the current lease requires a \$48,000 per year payment to provide for two police officers who also reside on campus. And the Columbia Police Department does have jurisdiction on the property.

The housing rates will continue to be comparable to on-campus options. The Park 7 rate for this current academic year is \$47.40 per semester which is comparable to the horseshoe rooms of \$47.15 per semester.

The Department of Administration did issue a solicitation and the responses that they-- The Department of Administration issued a solicitation earlier in March and the only response received was the current landlord.

I did ask for some comps from the Department of Administration of what they would be using, and they provided three comparables: Granby Crossing, Canalside Lofts and Capital Places which range from \$843 per bed to \$1,295 per bed.

The average cost per bed will be \$893 for the first year and about \$920 for the second year of this lease. With this lease addendum, the university does maintain the right for four additional one-year extensions should the need arise to continue to lease the additional beds.

The total amended-- This request is for an additional approval balance of \$4.6 million dollars and the total amount for all the beds for the next two years, including this first year, the lease would be \$15,647,289.30.

And the experts from USC are with us today.

DIANNE KUHL: Who wants to start with questions?

LOUIS LYNN: I have one, and I think I know the answer, but why didn't you do this in the beginning? Why didn't you just get all the beds when you started?

RICK KELLY: Well, I mean, I guess the increase enrollment has driven part of that and availability. I'm not sure that Park 7 offered all the beds when we first solicited this.

LOUIS LYNN: Is that right?

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RICK KELLY: Those are two answers I can give you.

STACEY BRADLEY: We went from being 5,200 freshmen to 5,880 freshmen in one year. And so, while we had the opportunity to exercise that option, it wasn't until that growth took place that we wanted to make plans.

LOUIS LYNN: So you had the option anyway?

RICK KELLY: We had an option in the lease that y'all approved in '16-- December of 2016 to lease these additional beds. The problem was that by the time we found out we were going to need them they had already started leasing the rooms, so they weren't available to us.

LOUIS LYNN: Are you now going to be shared with some of theirs? It's all USC?

RICK KELLY: All USC.

LOUIS LYNN: Great. And how new is this building? This facility?

RICK KELLY: How new? This is four years, three years.

DEREK GRUNER: It's a new building.

KIM PHILLIPS: Would the rates be about the same if the private person had just rented it to students? Do you know what it would be?

PARKER LEAKE: Less.

KIM PHILLIPS: Well, like how much less?

PARKER LEAKE: Looking at comparables, it would be on par with basic [UNCLEAR] costing-- less than outside [UNCLEAR].

KIM PHILLIPS: So this isn't - what you're charging isn't much more. Is that what you're saying?

PARKER LEAKE: Correct.

LOUIS LYNN: Are you driving freshmen back to campus as a-- just as a policy? There's no policy, it's just you wanted them, freshmen, close?

DEREK GRUNER: There's shuttle service.

LOUIS LYNN: I mean... No. Do you want your freshmen concentrated on campus as a--

DIANNE KUHL: Do you require freshmen to live on campus?

LOUIS LYNN: Yeah. Like at Clemson it's still a requirement.

PARKER LEAKE: It's a requirement, yes.

LOUIS LYNN: So this is to fill that freshmen requirement too?

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- RICK KELLY: But, interestingly enough, Dr. Lynn, when you think about that, of the 600-plus beds that we're leasing here, almost all of them are freshmen. So there's just not enough on the campus to put all the freshmen.
- KEN KIRKLAND: And that's due to certainly some of the demand with the increased enrollment. My question would be-- Again, that's driven by a large increase over this year for freshmen. What happens if that number remains flat, or even declines, based on trends that are out there and you're on the hook for "X" number more beds?
- RICK KELLY: I think we're in the perfect position that you want us to be in, Mr. Kirkland. We have a two-year guarantee, if y'all approve this, it will be for two years.
- KEN KIRKLAND: Mm-hmm.
- RICK KELLY: And then we have one-year options to renew. So we can pull the plug on this lease if that happens.
- I think this-- I honestly believe this is probably the answer to your question not being-- not being coy with it, but I think what you wanted us to do is not get trapped into a situation where if indeed the unexpected happens; we have an exit door. And this would give us an exit door to the university.
- KEN KIRKLAND: Do they have the same exit door to not offer the one-year options to you?
- PARKER LEAKE: Only if we violate the terms of this agreement.
- KEN KIRKLAND: So it really is loaded one side toward USC for right now?
- PARKER LEAKE: Yes. The lease is being—the leases the state produces-- protects the state entities in that way.
- LOUIS LYNN: So are you-- It's privatized housing or where you're moving more to privatized housing at USC?
- RICK KELLY: We don't want to. I mean, we advanced the plan of what we call our Campus Village which was to add, or construct, about 4,000 beds over the next few years on our campus. We would rather have freshmen, and as many sophomores, and any other class members-- that want to be, on our campus.
- But as a result of the population growth, as Commissioner Kirkland said, we've sort of been forced into this situation.
- DIANNE KUHL: Where are you on that situation with construction on that?

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RICK KELLY: Huh?

DIANNE KUHL: Where are you on the Campus Village?

RICK KELLY: We're revisiting how we're going to advance that-- whether we want to advance it as the big project as one piece.

If you'll remember, Campus Village was broken down into three phases. The construction of new dorms. It took some dorms off and reconstructed those and then added some more in the third phase.

And I guess what y'all realized when we sent it to you-- we continued to hear that when we got across the street to the General Assembly-- was that it's huge. And so, we're revisiting now-- whether we take it as a truly Phase I, and then build some beds. And in Phase II take off some other dorms, and then put some back on, and then come in and see if we need a Phase III at the end of that.

I mean, again, I don't think our feeling about how this is going to play out has changed. But it has caused enough concern that the magnitude of the project is so big.

And what if it does shift? What if things do start changing? How do we-- What exit strategy do we have then?

We have an exit strategy, I think, because we've got other dorms that probably need to come offline too. At lease come offline and be renovated or come offline permanently. So we're not boxed in completely. But I think doing it in three separate phases might be an answer to this. The administration is looking at that now, that's where we are.

DIANNE KUHL: Do you have any projected timeframe of when you may bring it back?

RICK KELLY: I really hope we're-- in the fall find ourselves a position to say, *Okay. This is the new and revised Campus Village Plan.* It may say very well, Madame Chair, that we still intend, over a period of time, to build out the original number of beds. But what we're going to ask you to do is truly just approve, I think, a phase of it. And then, come back and have another phase of it, and a second bite of the apple if you would, and then a third.

TIM HOFFERTH: I would mention this because although it's not directly in your wheelhouse, I know that. To me, this is why it's very difficult for a body like this. We deferred on the Campus Village project --.

RICK KELLY: Yes sir.

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TIM HOFFERTH: Due to the timing. Due to probably lack of understanding of the long-term strategy at the institution. What concerns me, and always has, is when you're not doing financial forecasting this evolves into a [UNCLEAR] in a meeting with him, going to be asked the question: Well, what's the 5-year, 10-year, 20-year plan look like? And the answer was: We manage to an annual NOI.

Maybe that's worked. But the problem is-- was it conceals the downside risk exposure in the event of a market correction. So it's really tough to weigh in. Even on this, in real world, to weigh in on this in a manner that protects the public it's suspect at best.

I think it would be helpful for us to really, at some point, when you're talking hundreds of millions of dollars in the capital projects to get a much better understanding as to where USC is and what they're vision is. Because we can do some preliminary stress testing pretty easy, just based on financials that are available to us.

I would think there's concern-- plenty of concern that would go around in the event of a worst case scenario. So I appreciate the fact that the Campus Village, in particularly, maybe has been slowed down to figure out how that fits in. And that was our major concern from the get-go. What happens if you advance a project and guess wrong?

So the more we know about what USC's vision looks like on a go-forward basis with numbers and projections, I think truly it gives the statewide perspective, which is this body, a much better chance of fulfilling our statutory responsibility which is: How does this play out?

We're not at a good time. A good time is pretty easy. There's a lot of... whatever. But, in tough times, and this is not just by our analysis, this is by national analysis in regard to the trends in the industry.

Because I think the more we know about how well prepared USC is financially-- from what you're trying to do housing-wise, growth-wise-- I think we can make better educated decisions in trying to honor our responsibilities.

RICK KELLY: Mr. Chairman, if I might.

I think we've tried to analyze a little bit about how we handle this project. And what I came away with, and I'll just speak for me, is that the Campus Village Project has been a project that has been on our books and we've been working for almost three years. So to us, we had done as much as we could and then we were trying to feed it to the people to the approval

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authorities in a shorter period of time than we took to get to where we were.

And I'm not trying to suggest to you that your concerns were wrong, I'm just saying I think that we have more answers to questions than we were able to articulate to you at the time that you asked.

Would Phase I, II and III automatically have been guaranteed? Probably not. But if we go through a process-- And again, I'm not suggesting to you this is exactly what USC will do. If we take Phase I and bring it through, and it stands on its own, do we finish or we get far enough down the road and we're looking at Phase II individually. We're not trying to look at the whole basket full of stuff at one time.

The other thing is, I think there were exit strategies. I mean, I don't think our housing people would have let us get to the point where we could have had all these 4,600 new beds and then couldn't fill them. I think what they would have told us if we would have taken time to listen to them in Year 2 and 3. We heard it in Year 1, so we just kept moving.

There are several dorms on our campus that are going to have to come up for renovation. The Bates Houses are the two that are-- Bates and Bates West are inside of this current plan, but they're other campus housings that are starting to show wear. And the students don't prefer to go there, and the parents really wouldn't prefer their kids to be there. But they get-- they get there, and they use them.

So I do think this-- I hear exactly what you're saying and maybe we will alleviate some of your concerns, or the Commission's concerns, and other people's concerns if we come back with a new strategy that says: *This is three pieces of the pie. We're going to eat one of the right now, and we're asking you to help us--*

TIM HOFFERTH: Rick, just so you know, I appreciate that. All I'm saying is everything that you just said I'm, again-- All I'm saying is for this body--

RICK KELLY: Sure.

TIM HOFFERTH: --to get involved earlier. Because you studied it for three years. Right? At USC.

RICK KELLY: Yes.

TIM HOFFERTH: And asked this body to vote it in a matter of five weeks. Okay? And then you changed your mind. Right?

That's our reputation. That's why we didn't vote on it. Because our reputation and credibility goes to zero if it's changed because you have

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second doubts and we're forced to make a decision in a matter of weeks on something that's taken the university three years. That's my only point.

DIANNE KUHL: We're going to move off of this and come back to the project that's actually before the Board today.

TIM HOFFERTH: Okay.

DIANNE KUHL: I think I appreciate the discussion from both of you because I think that is important as we look at these small pieces, we do need to have a much better understanding of the larger view [UNCLEAR]. So, Commissioner Hofferth's point is well taken.

And as he said, the more we know and the sooner we know about it, the better we can make decisions and hope we make then in a timeframe that works for the university schedule

Going back to this project, I need some clarification here. So right now, the facility is charging you \$723 per bed? Is that accurate?

RICK KELLY: Under the old lease - the original.

DIANNE KUHL: From the original?

RICK KELLY: The original. Yes ma'am.

DIANNE KUHL: So on the new beds that you're wanting is \$893. So that's \$170 increase for the new beds. You're charging \$948 a bed to the students. So you're charging the students \$225 a bed more than what you're being charged for it? That adds up, under the existing lease, to \$95,000.

Are you telling me you have \$95,000 in administrative expenses?

RICK KELLY: Well, if you'll remember, inside of the lease you'll see that in the original lease we paid \$48,000 for the security of two police officers living in the facility. So that's, \$48,000.

DIANNE KUHL: Okay.

RICK KELLY: We also have RAs living onsite. People that are there to help mentor the kids and they don't have to pay or they get a stipend to help them. I'm not sure which it is.

DIANNE KUHL: Okay.

RICK KELLY: So, yes ma'am. That's--

DIANNE KUHL: That's [UNCLEAR].

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- RICK KELLY: And then we run the shuttle services and the other things that go along with that.
- DIANNE KUHL: All right. My other question, and this is going to be a multi-part, leading to more questions.
- RICK KELLY: Sure.
- DIANNE KUHL: You're currently requiring freshmen to live on campus?
- RICK KELLY: Yes ma'am.
- DIANNE KUHL: You have an on-campus policy. When you are allowing freshmen to choose their housing, since they're required to live on campus, do they get first shot at housing? Are they allowed to say: *I want to live in these dorms*. Or are you telling them: *No. You have to live in these dorms*?
- Do the freshmen have the option, should they choose, to live in one of the potentially less luxurious dormitory at a much lower cost? Or are you telling the freshmen: *You're gonna live in the \$948 dorm*?
- RICK KELLY: I really want Parker Leake, who's the director of our housing to address this -
- RICK KELLY: What you'll find, I think what Parker will tell you is that we can fill up the high priced, the newer, better, nicer dorms. It's the low price that people prefer not to stay in because they don't have amenities. They don't have the current things [UNCLEAR].
- PARKER LEAKE: We do allow students to make a selection of preferences. And we try to honor that as much possible. We also work with students based on the FAFSA EFC. So students that have Pell Grants and greater need, they do have the option to select the lower cost alternatives.
- RICK KELLY: If there's a hardship, can they stay at home?
- PARKER LEAKE: Oh, yes.
- DIANNE KUHL: Sure. I mean, I would hope that if they lived in Columbia that you wouldn't make them live on campus. But who gets first shot at housing? Upperclassmen, before they leave? Or the freshmen coming in?
- UNIDENTIFIED MALE: [UNCLEAR].
- KIRSTEN KENNEDY: Right now we're in a position where we only have space to house first year students in less 200 returning students.
- DIANNE KUHL: So you're saying that of your entire student body only 200 upperclassmen live in the dorms?

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KIRSTEN KENNEDY: Yes. And in addition to my staff, our RAs, about 300. So that's one of the reasons that we moved the international students--

RICK KELLY: And a large part of those would be in the honors dorm.

KIRSTEN KENNEDY: Correct.

RICK KELLY: So there are dorms, as you know, are set up just for honor students. And that would be where most of that 200 additional-- We're not in a very good housing position.

DIANNE KUHL: How many dorms do you have online right now?

PARKER LEAKE: Eighteen buildings.

DIANNE KUHL: How many beds do you have in those dorms?

PARKER LEAKE: About 7,100.

DIANNE KUHL: And you have an anticipated freshmen class of 5,800?

PARKER LEAKE: Yes.

DIANNE KUHL: That's more than 200 extra beds.

KIRSTEN KENNEDY: [UNCLEAR]. We have other international students that we're required to house based on contract and articulation agreements [UNCLEAR-- background noise].

PARKER LEAKE: And this does include Park Place.

LOUIS LYNN: Athletes on campus too?

PARKER LEAKE: We can take the 636 hard placed beds for freshmen and the overall occupancy is less than [UNCLEAR] in accommodating the additional increase in freshmen.

KIRSTEN KENNEDY: The way the process goes, and the way that we market this, is that we get an estimate from enrollment management [UNCLEAR-- background noise].

DIANNE KUHL: Well, I'm going to tell you-- So there's \$948 per bed and you're going to maintain that cost to the student for the new leased space as well? Or are you going to increase it to the student or how are you going to handle that?

PARKER LEAKE: I can answer that for you. But first, let me make one small correction. The \$948 includes the \$50 utility and the other price did not. So that accounts for a little bit of the differential.

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But what we hope to do is when we originally got the beds, they had pre-committed the 212 at a higher market rate. And they leased the other beds to us at a lower rate. They have sort of held firm on their solicitation submittal of the higher rate sort of helped [UNCLEAR] on their solicitation, so they're to the higher rate because we must meet their cost.

We plan to offer a tiered rate to the students so that the studio one bedrooms, the more expensive two bedrooms are in the middle, and about 70% of the beds will be offered at a rate lower than the \$948. So we're trying to make it affordable to the students.

DIANNE KUHL: Right. That was one of my major concerns. I mean, number one, I think \$898 is [UNCLEAR]-- This is much for a college student. But, number two, one of the concerns that I had-- and one of the reasons I believe I voted against this the first time was because you were targeting everybody the same-- whether it was five students or one student sharing that facility.

PARKER LEAKE: About the 70% of the students who are in the \$830 a month and the other-- the middle category two bedroom of being \$895, and then the studio one bedroom, which have already been pre-selected in the request process by the students, \$1,150.

DIANNE KUHL: And you do not-- You don't drive students into this?

PARKER LEAKE: No. It's-- at the end, some of the students that have not gotten in time to make their request or the building that they requested filled up; we have some people that fall into that category. But we have a very robust assignments team trying to accommodate what people want and we work with them all summer long through orientation. They come and look at the building. We just had a parent weekend for students to visit and Park Place was very well received.

DIANNE KUHL: I know you've already answered this question, but I want to ask it one more time just to make certain. When you are offering housing do the freshmen have first pick at housing over other classmen?

PARKER LEAKE: Well, the upper classmen typically tend to be our staff. So they are assigned to space with--

DIANNE KUHL: I'm not talking about your RAs. I'm talking about sophomores or juniors who would like to live on campus. Do freshmen have first shot at housing that you're requiring them to live on campus?

STACEY BRADLEY: There are very few upper classmen we can accommodate. The freshmen have first priority.

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DIANNE KUHL: Okay.

STACEY BRADLEY: Primarily because of the retention impact. We expect them to be on our campus. We want them to be engaged. We want them to have RMs.

DIANNE KUHL: So freshmen choose their housing selection prior to any upper class who want to live there. That's what you're saying?

STACEY BRADLEY: Well, freshmen are assigned. It isn't that sophomores may be on the waiting list, but freshmen would be assigned if the--

RICK KELLY: The answer to your question is: Yes.

DIANNE KUHL: Thank you.

RICK KELLY: Yes.

LOUIS LYNN: I have another question. Are the freshmen who live in privatized housing, are they disadvantaged versus the ones that live in your dormitories?

RICK KELLY: In what way?

LOUIS LYNN: Student support, mentors, food.

STACEY BRADLEY: If you mean this privatized housing, no. We have full residential staff with same ratios.

LOUIS LYNN: Okay.

STACEY BRADLEY: We have our dining services is located there, Aramark.

LOUIS LYNN: So your food service contractor still services your private sector?

STACEY BRADLEY: Yes.

RICK KELLY: And Dr. Lynn, that's one of the reasons-- The average layperson would ask us: *Well, why don't you just not lease the beds and let the students go find their own housing?*

And so 50 of them would go here; 200 hundred over there. They'd be spread out everywhere. And that would be impossible for us to provide those specific services, mentors. I think there's 24 mentors or RAs.

PARKER LEAKE: Twenty-one.

RICK KELLY: Twenty-one mentors and RAs in Park Place. There are people that are there that can help them. There's food. Like Stacey said, there's food services; we run our shuttle service there. I mean, there's a--

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Respectfully, this becomes our dormitory. I mean, it's just a privately owned dormitory, but right now we run it as if it were one of our dormitories.

LOUIS LYNN: I guess that's what I was asking. You run it just like it's yours?

STACEY BRADLEY: Yes.

LOUIS LYNN: Okay.

KEN KIRKLAND: I'll be honest with you. Initially, when I looked at this thing and looked at the outlay, and the number of beds I did have a great deal of concern. The thing that helps mitigate this for me, as one Commissioner, is the fact that we do have annual options and you're not on the hook securing the beds for a long period of time and you may get upside down in enrollment.

So that is a tremendous out, that even in the worst of times-- for this particular deal, not looking at the totality of the accommodations-- just this deal-- you can walk away from these beds after a one-year period.

RICK KELLY: Two-years, It's a couple of years up the road.

HELEN ZEIGLER: Actually, we can terminate today's lease if we give them 10 months' notice by June 30, or a year or so. The state DOA makes sure that we have every out that anyone can possible be willing to give us when it comes to yearly lease documents.

[CROSSTALK @ 1:40:15.7]

KEN KIRKLAND: And for me, that is certainly a safety net that protects on the downside of risk potential. So that-- I don't go from a maybe or a no win to a yes lean given the fact that we do have that particular out.

LOUIS LYNN: From what you just said, doesn't it allow you to grow into it? You can just adjust your yield to fill up beds at Columbia, can't you?

STACEY BRADLEY: One of the items that we were just discussing that might be helpful -- We have over 1,200 upper classmen that would like to live on campus, but can't. And that's knowing that it's tight. We also wish that we could offer more housing to transfers, but we can't.

So there are a lot of pipelines that we just can't even provide any opportunity to, that if we were to see a decline in freshmen enrollment we actually could open those pipeline to service students.

DIANNE KUHL: Are there any additional questions or comments?

[No audible response]

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LOUIS LYNN: Move for approval. Have we done that already?

DIANNE KUHL: I think you just did.

LOUIS LYNN: Move for approval.

DIANNE KUHL: All right. Is there a second?

KIM PHILLIPS: Second.

DIANNE KUHL: All in favor?

[Attendees, "Aye"]

DIANNE KUHL: Any opposition?

[No audible response]

LOUIS LYNN: For clarity, we don't need to hear this anymore? This is the last time they have to come to us on this one?

CARRIE EBERLY: Until they want to do their lease extension; their one-year extensions.

LOUIS LYNN: Okay.

STACEY BRADLEY: Well, actually, the way this is worded-- and this is DOA's--

CARRIE EBERLY: Okay.

STACEY BRADLEY: --approved this. This will be added to our base lease. So these beds will become subject to our making the decision--

CARRIE EBERLY: Right.

STACEY BRADLEY: --without further state approvals, other than DOA.

CARRIE EBERLY: So with the Department of Administration you wouldn't have to revisit to do your one-year renewal if it's over the threshold?

STACEY BRADLEY: It would be up to them, but this is their-- We asked them for permission to exercise the option, and if they are agreeable, we were given permission to do that without any other approvals or solicitations. Again, unless they think the market's changed and they want us to do that.

CARRIE EBERLY: I guess it's market based.

DIANNE KUHL: So what you're saying is that when this lease comes for renewal, you can now do that without any oversight?

HELEN ZEIGLER: Well it'll be Department of Administration oversight, but that's just within the total 7-year term. So when we get to the point that it's the annual

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option to renew, if we choose to do that, we ask DOA to exercise that for us.

DIANNE KUHL: Okay. I want to make sure that I'm very clear on this. You've got the general lease is for what? A 5-year term?

HELEN ZEIGLER: The maximum term's 7 years.

LOUIS LYNN: And we're in year what?

HELEN ZEIGLER: And we in-- We've finished Year 1.

DIANNE KUHL: Right.

HELEN ZEIGLER: So we've got two more years on the base. And then it's on a year-to-year basis at our option.

DIANNE KUHL: Okay.

HELEN ZEIGLER: But exercised through the Department of Administration.

DIANNE KUHL: And within that, when you're just renewing the year-to-year lease that would be between you and the Department of Administration. But at the end of that lease, at the end of the base lease, you have to come back?

HELEN ZEIGLER: It would start all over. Exactly.

LOUIS LYNN: So Dianne, if they guess wrong in those 7 years it's between the university and DOA?

DIANNE KUHL: No.

HELEN ZEIGLER: We can get out, the landlord cannot--

LOUIS LYNN: And you've already--

HELEN ZEIGLER: If we choose to exercise the option to [UNCLEAR--background whispering].

DIANNE KUHL: Okay. You almost lost a vote on that one.

LOUIS LYNN: But we don't have to see them for another 7 years?

DIANNE KUHL: You're going to hurt their feelings if you keep sitting here saying, *I don't want to see these people*.

[Laughter]

LOUIS LYNN: On this. I don't even want to see them on gameday.

[Laughter]

DIANNE KUHL: Okay. You may notice that Louis is wearing an orange tie, so.

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All right. I think we have put this one to bed. Thank you for coming to help answer our questions.

LOUIS LYNN: Madame Chairman, have we talked about changes? Is this different than anything than anything we've done in the past, in terms of-- We've changed some things just for this--

TIM HOFFERTH: The [UNCLEAR] guidelines.

LOUIS LYNN: --or policies or how we approve new construction and leases, the way phases came in?

CARRIE EBERLY: The lease that we just did is the same way we've always--

LOUIS LYNN: Standard.

CARRIE EBERLY: --done things.

LOUIS LYNN: But the phases?

CARRIE EBERLY: Phase I and Phase II, it used to be that if the project was on a CPIP, like an overarching recommendation was given when the CPIP came through, since we didn't do CPIP as the recommendation we just did an overarching at the staff level. We did do a project by project that's why these requests were coming in Phase I and Phase II which was implemented last February,

LOUIS LYNN: Okay.

CARRIE EBERLY: Just to get a better idea of the--

LOUIS LYNN: And we didn't do anything to the leases last February?

CARRIE EBERLY: Correct.

TIM HOFFERTH: As far as that process, Louis, because you go way back.

LOUIS LYNN: Yeah.

TIM HOFFERTH: Three years ago, the short version is, most everything was on CPIP. It was at the discretion of the Executive Director to just pass it through. There has been a series of breaks since then to evaluate those projects individually. And a determination is made whether it's safety, security that would keep it on CPIP. The data would come here and then we go through that first phase. This would be Phase I. And then, when appropriate, they would come back.

UNIDENTIFIED MALE: For Phase II.

DR. LOUIS LYNN: Right.

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TIM HOFFERTH: --for Phase II. So it just gets you more familiar with the project and its relevancy, from our perspective, in a much more intimate way than as part of a massive group that just gets passed through because it was high on a list of an institution's priorities.

LOUIS LYNN: And it's ranked for construction first, renovation second, no leases.

DIANNE KUHL: With the CPIP, here's the problem. It used to be considered an approval process. When we sat down with the met with the folks from the Department of Administration and had these conversations with them, they wanted us to help them provide with ranking from a chronologic standpoint as they were looking at it. But as far as-- The word that we got back from them was it never intended to be any kind of an approval process. That was strictly a planning tool, not an approval process.

And in the past, we had to use that sort of as part of an informal approval process.

LOUIS LYNN: So the basis of my question is that this was opportunistic for USC to take advantage of an opportunity, and construction generally is leases.

CARRIE EBERLY: So the CPIP would just be permanent improvements: projects, leases--

LOUIS LYNN: Okay.

CARRIE EBERLY: Leases are separate from-- Like two different offices oversee those processes.

DIANNE KUHL: Carrie you have some staff approvals for us?

CARRIE EBERLY: The last item on the agenda for today is our capital projects that we processed at the staff level during the month of March. Most of these are project closeouts and would have been considered maintenance or deferred maintenance projects that have been ongoing since, I believe, as early as 2010. So once again, the institutions are just wrapping up and closing out projects.

As we were going through these, I did just confirm with the institutions that when they were closing something out that we did have the most current building ratings for these items.

LOUIS LYNN: Last month you had some big numbers in red. They must have figured how the game you--

CARRIE EBERLY: [Laughs] No. Just depends on the type of project that they're working on and closing out.

LOUIS LYNN: And what'd you tell us happened to that money in red?

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CARRIE EBERLY: So depending on what the source of funding is. A good example, I think we have a MUSC project on here. So the last item is a MUSC for the Basic Science Building air chiller replacement.

LOUIS LYNN: Mm-hmm.

CARRIE EBERLY: They actually used institution bonds, so the remaining fund balance was in the bond proceeds. So the remaining funds go to the debt service account.

LOUIS LYNN: Okay.

CARRIE EBERLY: To pay off the debt. So it depends on the source of funds. But in most instances, if those remaining balances-- those funds kind of never got drawn down, so they would still be in their current source.

DIANNE KUHL: Anybody have any additional questions or is there any other business to bring before the Committee?

I will entertain a motion to adjourn.

KEN KIRKLAND: So moved.

KIM PHILLIPS: Seconded.

DIANNE KUHL: All right. We are adjourned. Thank you very much.

[End of transcription]