

**DRAFT MINUTES**  
COMMITTEE ON FINANCE AND FACILITIES  
JANUARY 10, 2019  
10:30 A.M.  
S.C. COMMISSION ON HIGHER EDUCATION  
1122 LADY STREET, SUITE 300  
COLUMBIA, SC 29201

**Committee Members**

Commissioner Dianne Kuhl, Chair  
Commissioner Paul Batson  
Commissioner Linda Dolny

**Staff**

Ms. Yolanda Myers  
Mr. Georges Tippens  
Mr. Bryce Wilson

**Guests**

Ms. Beth Bell  
Ms. Carol Routh  
Mr. George Smith  
Mr. Craig Parks  
Mr. Greg Weigle  
Ms. Katherine Haltwinger  
Ms. Susie Edwards (via phone)  
Dr. John Catalano  
Mr. Michael Hughes

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

**1. Call to Order**

Chair Kuhl called the meeting to order at 10:37 a.m.

**2. Approval of Minutes**

A motion was made (Dolny), seconded (Batson), and carried to approve the minutes of the November 1, 2018 Finance and Facilities Committee meeting.

**3. Chair's Report**

Chair Kuhl omitted the Chair's report.

**4. Interim Capital Projects**

The following agenda items were presented:

- A. Clemson University
  - i. Chapel Construction
    - Increase Budget

Georges Tippens introduced the item. Clemson University sought recommendation of the Commission on Higher Education to initiate the construction phase of a non-denominational

chapel on its campus. Phase I of the project was before the Commission in June 2018 and received the Commission's recommendation for approval. The Committee on Finance and Facilities applauded Clemson for bringing forth a project fully funded by gifts. The Committee also commended Clemson for collecting the donations so quickly, having excess to cover maintenance and operations of the new building, and involving the student body in the planning of Chapel because they will be the primary users. Chair Kuhl asked for a motion to recommend the project for approval, which was made (Batson) and seconded (Dolny). The Committee carried the motion to recommend the project as presented.

- B. Medical University of South Carolina
  - i. New College of Pharmacy Addition and Innovative Instructional Redesign Renovation
    - Establish Project

Georges Tippens introduced the item. MUSC sought recommendation of the Commission on Higher Education to establish Phase I design of an addition and renovation to its Basic Science Building and renovation to the Colbert Library. The University plans to relocate its College of Pharmacy to the new space and modernize existing classroom spaces and library spaces.

The Committee on Finance and Facilities inquired what MUSC plans to do with the existing School of Pharmacy building. According to MUSC staff, while they plan to ultimately dispose of the asset, currently they do not know the best method. The building is a historical designation, which makes demolition problematic. In the short-term, MUSC staff said they may "mothball" the facility to lower utility and upkeep costs. The Committee also asked why MUSC is seeking more than the customary 1.5% of estimated project cost for Phase I. University officials responded that they wish to hire a construction manager at risk due to a number of logistical issues, including seismic risk and planning for the least amount of disruption to faculty, staff, and students who use the Basic Science Building and Colbert Library spaces. Due to the extensive planning, MUSC noted that it expects to begin construction at the earliest in the first half of 2020.

The Committee directed additional questions to MUSC Staff related to the funding for the project. The Committee was especially interested in any potential increases to tuition and fees if the University uses institutional bonds to finance the construction phase. As of now, MUSC staff said they may need to seek \$18 million to \$23 million in bonds, which would lead to a 2% or 3% increase in tuition and fees for School of Pharmacy students. The Committee requested that MUSC provide further detail on its funding during its Phase II submittal, including information on its bonding capacity. Chair Kuhl asked for a motion to recommend the project for approval, which was made (Batson) and seconded (Dolny). The Committee carried the motion to recommend the project as presented.

## **5. Presentation on Staff Approval Process**

Mr. Georges Tippens presented an overview on the types of projects that he and the Department of Administration and Joint Bond Review Committee staff have authority to approve by the Commission, Joint Bond Review Committee, and the State Fiscal Accountability Authority, respectively. At the direction of the Committee, Mr. Tippens will provide draft language of a new policy of staff approval of leases for the Committee's review.

## **6. Overview of 2018-19 Comprehensive Project Improvement Plan Analysis**

Mr. Georges Tippens discussed the methodology used to complete the 2018-19 Comprehensive Project Improvement Plan (CPIP) analysis and provided a brief overview of the results. The Committee re-emphasized that it treats the CPIP as a planning tool and that categorizing projects into wants or needs does not affect the Committee's normal project approval process at its monthly committee meetings.

## **7. Other Business**

### **A. Approval of 2019 Interim Capital Project and Lease Submissions Deadlines**

After discussion, Chair Kuhl asked for a motion to accept the proposed submission deadlines for 2019, which was made (Dolny) and seconded (Batson). The Committee carried the motion to approve the monthly deadlines for institutions to submit interim capital projects and leases.

### **B. List of Capital Projects and Leases Processed by Staff for November and December 2018**

The previous item was presented as information. A description of the capital projects processed by staff in November and December 2018 is included in the published meeting materials.

### **C. Other Business**

Chair Kuhl nominated Commissioner Batson to become Vice-Chair of the Committee on Finance and Facilities, which was agreed upon by the sitting committee members.

There being no additional items before the Committee, the meeting was adjourned at 11:57 a.m.

South Carolina Commission on Higher Education

Finance and Facilities Committee Board Meeting

January 10, 2019

---

DIANNE KUHL: All right. We will call our meeting to order. Yolanda, would you do us the honors?

YOLANDA MYERS: Okay. We have with us this morning from Clemson University Ms. Beth Bell, Carol Routh, Mr. George Smith; from the University of South Carolina, Mr. Craig Parks; from the Medical University, Mr. Greg Weigle and Ms. Katherine Haltiwanger; from USC Union we have Dr. John Catalano, from the Department of Administration we have Mr. Michael Hughes.

And this meeting is being-- excuse me. Do we have anyone on the phone? On the conference line?

SUSIE EDWARDS: Yes, ma'am. This is Susie Edwards with MUSC Finance.

DIANNE KUHL: Good morning, Susie. Thank you for joining us.

YOLANDA MYERS: Okay. This meeting is being held in accordance with the Freedom of Information Act.

DIANNE KUHL: All right. Thank you very much. All right. I hope everybody had a good holiday and you're all ready to work hard. This should be a pretty quick meetings, going through our projects, and then we have some presentations just to help us with the whole internal housekeeping and some decision-making. And you all may actually care to stay for this because George is going to be going through some of the logistics of the capital approval process as it relates to what the Department of Admin does, what we do, what JBRC and the fiscal authority do. So just sort of

looking at authorities and responsibilities on that, you may or may not find that interesting, but you are very welcome to stay for that.

Moving right in to our first order of business, has everyone had the opportunity to look over the minutes?

GEORGE TIPPENS: Mm-hmm.

LINDA DOLNY: I have--

DIANNE KUHL: Are there-- yes?

LINDA DOLNY: I have a question.

DIANNE KUHL: Yes, ma'am.

LINDA DOLNY: Is what George going to do addressing on Page 4, that last sentence about the contingency plan to fund an unforeseen project? And does that have authority to issue additional bonds? Because my question was: How do we keep up with that?

DIANNE KUHL: On Page 4.

LINDA DOLNY: Page 4 in the minutes.

DIANNE KUHL: George, that's the Williams Bryce project?

GEORGES TIPPENS: Correct. That was-- that was for them. USC for that-- that for Phase II submittal contingency plan for their presentation of the Phase II project to you all.

LINDA DOLNY: Okay. Is that what you're addressing today?

GEORGES TIPPENS: No, I am not.

DIANNE KUHL: No.

GEORGES TIPPENS: That's project specific--

LINDA DOLNY: Okay.

GEORGES TIPPENS: --for USC.

LINDA DOLNY: Okay.

GEORGES TIPPENS: For the Williams Bryce Stadium Project.

DIANNE KUHL: Yeah.

GEORGES TIPPENS: For Phase II. Yes.

LINDA DOLNY: Oh, okay. Back to you.

DIANNE KUHL: That was-- that was something that we asked them to--

GEORGES TIPPENS: Right. Right.

LINDA DOLNY: Yes.

DIANNE KUHL: --consider coming back to us with. What George will be addressing is in the-- on the second and third pages where we were talking about what to do with--

LINDA DOLNY: Mm-hmm.

DIANNE KUHL: --closed projects with left over dollars. So he will be covering that in there.

LINDA DOLNY: Good.

DIANNE KUHL: So are there any modifications to the minutes?

LINDA DOLNY: No.

DIANNE KUHL: May I have a motion to approve please?

LINDA DOLNY: So move.

PAUL BATSON: Second.

DIANNE KUHL: Okay. Thank you very much. All in favor?

[Multiple speakers, "Aye"]

DIANNE KUHL: Okay. All right. Moving along to the Chair's Report. I'm just going to skip that and lets go straight in to the business portion of our day and then if anybody has any questions or comments as we go, please feel free to chime in.

Our first project is Clemson University for the chapel construction.

GEORGE TIPPENS: So Clemson seeks your recommendation for approval to establish the project or Phase II of the Chapel House. This first came before the Commission in June of last year. It is a building for a non-denominational place to reflect and for the students and faculty to meditate, completely financed by donor funds and gifts. The projected budget is \$5 million, but Clemson has already received donations in excess of \$6.1 million, so they're going to use that for the construction and also kind of bank that money to cover E&G maintenance needs for the building moving forward.

PAUL BATSON: [Coughing] Sorry. The six-- I'm very interested to see the \$6.1 million designated specifically for this, did that-- were those funds, or do you know, made through restricted contributions directly for the chapel or did that come out of other funds?

GEORGE SMITH: It was made through gifts to the chapel specifically.

PAUL BATSON: For direct gifts--

GEORGE SMITH: Yes, sir.

PAUL BATSON: --that you-- and how long has that fund been-- how long has the university been going after that?

GEORGE SMITH: Well the chapel project has been something that students have pursued for quite a number of years. The project began in earnest two years ago with a naming gift by the Cadden family of \$1.5 million. So the bulk of the money has been raised within the past two years.

PAUL BATSON: Interesting. And then where is it going to be built? I don't know if you may have put it in there.

GEORGE SMITH: Right. I don't have a campus map to show you, but if you're familiar with the Clemson campus, the area behind the library and the Brooks Center and the Strom-Thurmond Institute, right in that corner right in there.

PAUL BATSON: Interesting. All right.

GEORGE SMITH: Yes, sir.

DIANNE KUHL: Linda?

LINDA DOLNY: Oh, I have another question. And this relates to the paragraph at the bottom, University has a maintenance stewardship funds account with fort-- excess of \$48 million. How do you guys keep up with that? Is there a master list that says we've got this many projects and this is the amount of money that we can allocate for maintenance?



GEORGE SMITH: I can't speak specifically to that because that's not my area, but that is managed through our Vice President for Operations and Finance area.

LINDA DOLNY: Is-- do we have any way of doing that or do the universities have any way of finding--? I guess what I'm thinking about is if we've got this pool over here, we've got all these projects over here, is the pool going to be enough to maintain all of them?

DIANNE KUHL: Exactly.

LINDA DOLNY: And--

DIANNE KUHL: That is a-- in the A1s normally they will come in and tell us, you know, here's-- here is how much we anticipate it's going to cost or--

LINDA DOLNY: Mm-hmm.

DIANNE KUHL: --here's how much it's not going to cost in the case of MUSC.

DIANNE KUHL: And-- but that's a very good point. I think the institutions do have that information.

GEORGE SMITH: They've anticipated the annual maintenance and utility costs to be \$32,000.

DIANNE KUHL: Mm-hmm.

GEORGE SMITH: That will be covered. We are setting up a \$1 million endowment. We will use the proceeds from that endowment to pay those costs.

LINDA DOLNY: Okay.

GEORGE SMITH: Yes.

LINDA DOLNY: That sounds good.

DIANNE KUHL: Doing that with the excess money that you've raised for this project?

GEORGE SMITH: Yes. Yes.

DIANNE KUHL: That's smart.

PAUL BATSON: So you're raising money for the endowment now?

GEORGE SMITH: Yes, sir. Yes, sir.

PAUL BATSON: Okay. Good.

LINDA DOLNY: That's good. I think it's an excellent project, so--

PAUL BATSON: I agree.

LINDA DOLNY: --I don't-- I'm not being critical at all, just trying to figure out--

GEORGE SMITH: No.

LINDA DOLNY: --how things are done around here.

GEORGE SMITH: Yes, ma'am. No, I understand completely.

LINDA DOLNY: Thank you.

DIANNE KUHL: I like the fact that this was largely a student driven project.

LINDA DOLNY: Yes.

DIANNE KUHL: And that they were so involved both in the conception of the project and getting the approval on it, and in some of the fundraising side. Have you also in-- just out

of curiosity, have you guys also incorporated any student representatives in the design phase?

GEORGE SMITH: Yes, a-- the student representative from the Chapel Committee is actually-- was on the selection committee and certainly will be involved. The design team will have focus groups with students across the campus.

This is a relatively small project so there's not really a lot, you know, footprint things to change, but certainly their input in deciding the size, scope, location, purpose, and use of this was very instrumental in how we designed the project.

DIANNE KUHL: Yeah. Well since they're the ones who are going to be using it the most, I think it's wonderful that you're allowing them to give input on what they feel that they're going to need. So--

GEORGE SMITH: Absolutely.

DIANNE KUHL: It's a great project and the--

GEORGE SMITH: Thank you.

DIANNE KUHL: You know how I feel about things that are 100% donor-funded.

GEORGE SMITH: Yes.

LINDA DOLNY: [Laughing]

DIANNE KUHL: So-- are there any additional questions or anything else you all want to bring to our attention on this project?

GEORGE SMITH: No, ma'am. I think it's all included in the materials. We're just very excited and I think the level of fundraising that we have been able to achieve and the short time that we've been able to achieve it speaks to the support for this project.

DIANNE KUHL: Great. Thank you so much.

GEORGE SMITH: Yes, ma'am.

DIANNE KUHL: All right. We have before us the Clemson University Chapel Construction. Do we have a motion to recommend for approval?

PAUL BATSON: I'll move to accept the project-- or to move the project forward.

DIANNE KUHL: All right.

LINDA DOLNY: And I'll second.

DIANNE KUHL: All right.

[Multiple speakers, "Aye"]

DIANNE KUHL: All right. Chapel construction will be recommended for approval to JBRC.

Next project is Medical University of South Carolina, the College of Pharmacy addition and Innovative Instructional Redesign Renovation. Say that one three times fast.

[Laughter]

DIANNE KUHL: Georges, would you care to?

GEORGES TIPPENS: MUSC has before you Phase I, trying to establish the predesign phase of the project, which seeks to create an addition on their basic science building of 40,000

square feet and also renovate another wing within that building of 13,000 square feet in Colbert Library. The idea is moving its College of Pharmacy area to these newly renovated and constructed areas. And the university plans on disposing of the existing College of Pharmacy building.

The university is seeking 2.5% of the estimated project cost of \$53 million, for site design and other architectural needs during this Phase I project before you.

DIANNE KUHL: Okay. We will begin with questions. Paul, do you have any?

PAUL BATSON: I'm going to defer for a minute here. I need to go back in my notes.

DIANNE KUHL: Okay. Linda?

LINDA DOLNY: I just only had another information question. When you say you are planning to dispose of the current College of Pharmacy, what does that mean?

GREG WEIGLE: That means-- by the way, I'm Greg Weigle, Chief Facilities Officer MUSC. It means that our master facility plan, which we did in 2015 recommends that because of deferred maintenance and the age of that building, that we should get out of it. Disposing how has not been determined. One of the issues we have in Charleston with the historic preservation is that qualifies as a historic building, so we probably can't demo it. So we're-- that's still to be determined. But what we intend to do is "mothball" it, if you will, when the College of Pharmacy moves out until that determination is made.

LINDA DOLNY: So you'll have to continue keeping the building up to some degree?

GREG WEIGLE: Minimally, yes. Minimally. There would be some utility-- probably expenses for some lighting and heat so pipes don't freeze or that kind of thing. But that's probably as much as we want to go there. It's not a very desirable building.

LINDA DOLNY: Even though it's historic. [Laughing]

GREG WEIGLE: Yeah. Right.

LINDA DOLNY: Thank you.

DIANNE KUHL: That's not good news for you guys if you decide you want to sell it though. Would you go ahead-- one of the things with this project, you are above the threshold for the A&E section. Would you go ahead and talk a little bit about why that is and some of the challenges specific to the Charleston area?

GREG WEIGLE: Sure. A couple reasons play in to it. There's some-- I'll say nuances we have in Charleston about construction. We're in a seismic zone, as well as hurricane zone, so we have to meet the codes. So that usually drives up our costs and then we have an addition proposed on an existing building where we would probably have to drive piles and we have some interesting soil conditions in Charleston because of all the backfill that occurred on the peninsula.

So to do a design bid project, we would probably impose ourselves to a lot a potential change orders with this kind of project. So we petitioned the State Engineers Office to get dispensation to do this as a construction management at risk project, as opposed to traditional design bid build and they granted that. And we-- that means that we want to bring a construction manager to the table during

the design phase for the preconstruction services so they can advise us on what's the best way of, you know, optimizing our design.

We also have some logistics issues. We're going to be doing a lot of renovation and we have enabling people we have to relocate and we have to figure all that out so that we can, you know, get a good solid and efficient project. So we estimated that the cost to do that would be more than what is standard, so that's why we are requesting the additional.

DIANNE KUHL: Don't sit down. We're going to keep you up for a minute.

I had another question for you in here.

GREG WEIGLE: Sure.

DIANNE KUHL: And in-- for full disclosure, prior to this meeting, when the project first came in, Georges and I did have a phone conference with MUSC to go over some of the questions, and they have come back in and done some revisions on their A1 to answer the questions that we posed to them. There are still a couple of them. One of them, the new Department of Administration form asked for student impact in a couple of ways, one of them being, how many students will be affected by these renovations, how many of them will be involved, and you guys said all of them. Could you be a little more specific--

GREG WEIGLE: Sure.

DIANNE KUHL: --with numbers on that? [Laughing]

GREG WEIGLE: Yes. And I do have a cheat sheet here on some of that.

DIANNE KUHL: You know, if you've got 400 pharmacy students, that's a little more impressive than six.

GREG WEIGLE: Yeah. Yeah, well where our pharmacy-- we have 320--

DIANNE KUHL: Okay.

GREG WEIGLE: --in our College of Pharmacy students, 40 faculty, 17 staff, in the College of Pharmacy. So that totals about 377. Our current student population total is 2,882, so, you know, that's a minority percentage, but fair. And that's just the College of Pharmacy--

DIANNE KUHL: Right.

GREG WEIGLE: --that we're relocating. One of the things-- I guess why we took the-- I guess the tact of saying all is that the renovations that are involved are a significant number of classrooms, our library, first floor is kind of a classroom floor and that's going to be completely renovated. And in the Basic Science building we have a bunch of classrooms that are slated to be renovated with this as well. So we are going to touch many of our students by-- in the nature of just renovating these classroom spaces. The College of Pharmacy is certainly the college that is going to be affected the most by this project, and that's the number that represent that.

DIANNE KUHL: Okay. The other question that I had for you goes back again to the Department of Admin questionnaire. The-- specifically on number six it's asking for the fund sources to be used for construction with specificity and it says, "If it includes any fee, provide the name of the fee, the fee amount, frequency of collection," et



cetera. You've got a number of different funding sources listed, including the possibility of debt and institutional bonds.

And then as we come down in to-- a little bit further, getting down to Question Number 22, asking for a five-year history of the institution's tuition and fee structure designated or utilized for permanent improvements, identifying the tuition or fee component per student, per semester, total revenue collected during the academic year, fund balance, et cetera, et cetera. That section is left blank and you guys basically said, "Well, we don't really charge a specific plant improvement fee and we don't really keep this as a separate record." That's a little bit of a challenge for me and I'd like for you to give it some additional information on that because obviously, if you're going to issue institutional bonds, there will be student fees and student-- students going to have to pay for that unless you've got some really creative way that I don't know about, which I think would be wonderful, but could you talk to us about the fiscal impact on the students with this project?

GREG WEIGLE: Sure. Susie, are you willing to take that line?

SUSIE EDWARDS: Yes, I will certainly take that.

Good morning, Susie Edwards, Controller for MUSC. We do not charge a specific student plant improvement fee. All of our students pay fees specifically for permanent improvements. We do designate \$4 million for deferred maintenance each year, but as far as is-- you know, issuing that, what we do-- and being that we have to use [UNCLEAR] for future years. We are not projecting to have an increase in tuition and fees at all for the College of Medicine. But, so we don't

[UNCLEAR] student fee, but increase in tuition in the College of Pharmacy, but very minimal because overall at MUSC we have not increased our tuition greater than 3% in the last twenty--

DIANNE KUHL: You still there, Susie?

GREG WEIGLE: She completely cut out.

SUSIE EDWARDS: I'm sorry.

GREG WEIGLE: You cut out, Susie.

SUSIE EDWARDS: I'm-- I'm fighting pneumonia right now. [Laughing] But, we are-- and I'm not sure if you heard me, but we are not projecting to have an increase in the College of Medicine. We were actually-- these involved in the Colbert Library renovation, but we will have a potential 2 to 3% increase in the College of Pharmacy for their portion of the building.

DIANNE KUHL: Can you transfer that-- can you translate that 2 to 3% into a dollar amount for us?

SUSIE EDWARDS: Currently, [UNCLEAR].

GREG WEIGLE: Tuition and fees for--.

SUSIE EDWARDS: Currently, in the College of Pharmacy our in-state tuition is \$13,413, so that will add an additional \$402 to our in-state students.

DIANNE KUHL: Okay. And that's an annual--

SUSIE EDWARDS: Okay. Out--

DIANNE KUHL: --that's annual?

SUSIE EDWARDS: --out-of-state stu--. Our out-of-state students are currently paying \$20,000 so additional 3% would equate to about \$600.

DIANNE KUHL: Okay. And that's an annual number, right?

SUSIE EDWARDS: That's correct.

DIANNE KUHL: Okay. Okay.

PAUL BATSON: I'm interested in the bond side of this. Can you address-- you mentioned that you forecast 18 to upward of \$23 million in bonds that would be pledged by future tuition and fee collections. I think that's part of your question, too.

DIANNE KUHL: Mm-hmm.

PAUL BATSON: How-- what is your bonding capacity and how would that effect your bonding capacity? If you had to go to \$23 million?

GREG WEIGLE: Susie, do you want to take that on or do you want me?

SUSIE EDWARDS: Either one, Greg. Or, currently we have very little outstanding loans for debt. We actually only have about three or four outstanding state institution bonds. Our current principal and interest payments are about \$6 million, so we've checked with the State Treasurer's Office and if we were to issue a \$18 million to \$23 million bond our principal and interest payments would increase about \$2 million a year.

PAUL BATSON: How many? Two million?

GREG WEIGLE: Yes.

SUSIE EDWARDS: Two million. Approximately two million.

PAUL BATSON: Two million a year.

SUSIE EDWARDS: And that's based on a 5% interest rate over a 20-year period.

PAUL BATSON: Okay.

SUSIE EDWARDS: And in order to issue that debt, the office would have to put up funding by June of this year to do that.

PAUL BATSON: All right. So-- so I hear what you're saying, you've got very little long-term debt, which would-- you would presume that you've got a good bonding capacity. Do you know what your bonding capacity is at the university?

SUSIE EDWARDS: I mean, not off the top of my head.

PAUL BATSON: Okay. I would be interested to know just as information.

GREG WEIGLE: Sure.

PAUL BATSON: Probably when we come back to Phase II, what that capacity would be, what-- where you all stand--

GREG WEIGLE: Sure.

PAUL BATSON: --at this project, compared to what the total capacity would be.

GREG WEIGLE: Right. And I-- part of the question that I would answer that Susie didn't, and I believe you asked this, so we stated a range and the reason for that range is we're hoping for donors and hopefully that we can have a good campaign. So depending on how that campaign goes and also depending on what rates are at the time when we go to Phase II will probably determine the amounts. So that's why we stated the range.

PAUL BATSON: Okay. And I also saw that you had \$10 million committed for this project. Is that earmarked money already?

GREG WEIGLE: Yes. That's money that's already earmarked.

PAUL BATSON: Okay. And was that money raised specifically for the building?

GREG WEIGLE: Yes. Susie, that was money that the College of Pharmacy had pledged, correct?

SUSIE EDWARDS: That's correct. And it is restricted and it's solely for the College of Pharmacy renovations.

PAUL BATSON: And that money just-- does it go to a foundation and then flow in or how does that mechanism work?

GREG WEIGLE: Susie, how is that \$10 million accounted? Is it held by the Foundation Development Office or some other fund?

SUSIE EDWARDS: It goes directly to the foundation.

PAUL BATSON: Okay.

DIANNE KUHL: Okay. When do you all anticipate bringing back Phase II?

GREG WEIGLE: I would expect late this year.

DIANNE KUHL: Okay.

GREG WEIGLE: [UNCLEAR] I think we have-- we're figuring that we've got a six to nine month design period with some of the logistics and things we have to work out.

Something I didn't mention earlier, but we may have some prior projects that you approved-- deferred maintenance projects for the Basic Science building, so

we've got other work going on in that building while we're doing this as well. So we have a lot of coordination to work out and we think that's going to take some time.

DIANNE KUHL: You're-- but you're-- from our previous conversation I'm remembering you're anticipating construction early 2020?

GREG WEIGLE: Yes, in 2020, yes. Probably--

DIANNE KUHL: Okay.

GREG WEIGLE: --first half of 20-- the calendar year 2020.

DIANNE KUHL: Okay.

PAUL BATSON: Seems like every time we get a project coming out of Charleston, you're always having to sort of plan your logistics as to how you move out of one building into another because all the space is so limited.

GREG WEIGLE: Yes.

DIANNE KUHL: Mm-hmm.

GREG WEIGLE: Yes. We have very little-- yeah. We have no laydown. Where-- this one's going to be around our horseshoe, if you're familiar with our horseshoe. So there's really not a good laydown space for the construction activities and stuff, so yeah. Lot of logistics we have to--.

PAUL BATSON: I would just like to say that I think obviously there are a lot of questions here about the Phase II side of this and where the money's coming from, so I'm okay I

think with Phase I going through. But I think when we get to Phase II we really need to get-- zero down into more of the detail on the funding side.

GREG WEIGLE: Understood.

PAUL BATSON: Is basically my answer.

GREG WEIGLE: Certainly. I'm used to [UNCLEAR].

DIANNE KUHL: Are there any additional questions, comments? Anything else you'd like to share with us on the project?

GREG WEIGLE: No, ma'am. I think I talked enough.

DIANNE KUHL: [Laughing] All right. We have the project before us. Is there a motion on the MUSC project?

PAUL BATSON: I'll move we accept the project.

LINDA DOLNY: I'll second.

PAUL BATSON: Phase I.

DIANNE KUHL: Second. All right. All in favor?

[Multiple speakers, "Aye"]

DIANNE KUHL: All right. Georges, we will be recommending the policy of Pharmacy addition.

GREG WEIGLE: Thank you.

DIANNE KUHL: That we move forward. Thank you all very much.

We'd like to-- for those of you in the room, we'd like to introduce you to two of our new commissioners, Commissioner Satcher and Commissioner Battle. They-- this is their first meeting.

FEMALE SPEAKER1: Dalton.

DIANNE KUHL: I'm sorry?

MALE SPEAKER4: Dalton.

DIANNE KUHL: Dalton. Dalton. I'm so sorry.

[Laughter]

COMM'R DALTON: No problem.

DIANNE KUHL: I was impressed that I was reading the name tag down there. That I could see it that far.

COMM'R DALTON: I had my blocked.

DIANNE KUHL: Oh. Okay. All right. Well, anyway. Commissioners Satcher and Dalton. This is their first meeting with us and we've invited them to sit in so that they can also get the benefit of this wonderful information that Georges is fixing to share with us. No pressure.

So, Georges, I think we're going to turn this portion over to you now.

GEORGES TIPPENS: I hope this is informative for everyone. The committee, I guess the last meeting, which was back in November--

DIANNE KUHL: Mm-hmm.



GEORGES TIPPENS: --asked if I could present on the staff approval process. So, I looked at the staff approval process for the commission and also what the Department of Administration does and JBRC, and then coupled it with kind of just a broad overview of what the normal life cycle of projects are for permanent improvement projects in the State of South Carolina.

So hopefully this isn't that dry and please stop me at any slides or if you have any questions and I'll try to answer them the best I'm able to.

So permanent improvement projects are defined in South Carolina Code. The authority lies with both the State Fiscal Accountability Authority and JBRC to determine and set cost thresholds through policies of what counts as a permanent improvement project.

There are different definitions or cost thresholds depending if it's a project implemented by a higher education institution or different state agency. For higher education institutions, projects must be established-- for land acquisitions, regardless of the cost. So even if the land acquisition is \$50,000, it needs to go through the appropriate process. Also, any acquisitions of existing buildings, regardless of cost, they need to have permanent project started.

If it's an existing building, so think of a renovation or an expansion, for higher ed, the value of the project has to be at least \$1 million. If it's new construction, it has to be at least half a million dollars. And also if it's a capital lease purchase, it's over \$1 million.

Now, there are some caveats to those dollar thresholds. If the project ties into legislative appropriations. Through-- so through the Budget Act, through Proviso, or through the Capital Reserve Funds, it has to be instituted as a project regardless of the cost. So if an institution receives \$100,000 to do renovations to an existing building through the Budget Act, they have to submit an A1 and go through the process through us, through JBRC, and through SFAA. Likewise, if it's financed through Excess Debt Service, it needs to be established as a project regardless of the cost.

I just jumped ahead in the slide. So here's what I basically just said. So line item appropriations or any legislative appropriation and also if it's financed by Excess Debt Service.

So the project life cycle is what we basically saw today with the two projects. So the Phase I submittal is establishing of the project, A&E phase, planning phase. That was the MUSC project that we just saw. Next, the institution will come before us for an increase budget, also known as Phase II. That's seeking approval to actually establish and start the construction phase of the project. Finally, then they come before us to actually close the project. Those can usually be approved by the staff.

In the interim, there are these other things that may occur. Increasing of the budget, budget decrease, changing the scope of a project, changing funding sources, and also changing the project name. That can occur at any point during the project life cycle after it's been established as Phase I.

So if all that criteria has been met, it is a permanent improvement project, then they must submit an A1 form to both the Department of Administration and to us. We review the project and provide a recommendation up to the Department of Administration. And then depending on the different thresholds, it goes before JBRC and SFAA also.

DIANNE KUHL: Georges, let me stop you right there for the benefit of our new commissioners. It's important to note-- there has been some misunderstanding in the past about the CHE's role. We don't approve or disapprove projects. We cannot stop a project as it comes before us. Our job is to do a thorough vetting of that project and then to take that information, boil it down, and make a recommendation back to JBRC, Joint Bond Review Committee, and then that goes on to the Fiscal Accountability Authority and copies also go to the Department of Administration. So our job is to boil all that information down, ask all of the questions, and then pass our recommendations. We have three options. We can recommend approval, we can recommend against the project, or we can send the project over with no recommendation, which we have done once or twice when the project was so massive that we just said we don't have the capacity to accurately and adequately evaluate this project so we're either going to say to you, kick it back to them and make them come back with more information or it's on you. And I think on that particular-- I think we've done that twice and on one of them they went back to the institution at JBRC and said uh-uh. [Laughing] You guys got to do a lot more work because, you know, we can't evaluate this much paperwork in a two-week period.

So that's what Georges is talking about on that.

MALE SPEAKER5: Sure.

GEORGES TIPPENS: And not to be mired with a ton of projects, the Commission and also JBRC and SFAA have delegated authority for staff to approve certain projects. Project level, this is mainly the projects have been appropriated funds by the legislature. As long as there's no outside funds involved with the project, staff has been delegated, CHE and also Department of Admin, to approve those projects. The other ones are mainly procedural in nature, so budget decreases, closing out a project, and later on in this presentation for information only I show all the projects that have some staff level approval for the last two months and I think there's around 20 of them. Mainly closing out projects, budget decreases, and also those projects that have been funded solely with legislative authorization.

PAUL BATSON: Could I ask a question:

GEORGES TIPPENS: Yes.

PAUL BATSON: Chairwoman Kuhl, I think it would be helpful to talk about the short time-frame that we have to approve the projects given to JBRC and how that works with our committee. Could you go in to that?

DIANNE KUHL: Sure. Are you-- you're not hitting that in the--

PAUL BATSON: Are you hitting that later?

DIANNE KUHL: --presentation are you?

GEORGES TIPPENS: I can add it to-- I can talk about it or if you want to.

DIANNE KUHL: One-- well. And that's one of the things that we will be talking about a little bit later in reviewing the project deadlines that we have for our calendar because there's a fairly massive amount of information that comes in to us. What we see is a very condensed version. You've got the A1 and you've got the Department of Admin questionnaire. We-- for our committee, we also have a set of financial metrics that we look at when a project comes in.

You-- we're looking at 10-year trends and revenue and expenses. We're looking at enrollment trends. There are-- there's a whole list of things that we look at as we're evaluating the project and whether it-- basically, can this institution afford the project? It's up to the board of that institution to determine whether or not they need it. It's up to us to sit there and go, are you going to be able to afford it and to ask some additional questions.

And we've gone back to some of our institutions in the past and said this is great if everything stays the same, but what's your contingency plan? What happens if the economy has a downturn? What happens if as anticipated there's a decrease in the available pool of students? What are you going to do if?

So there's a ton-- for each project, Georges probably gets a stack of paperwork about that big, if he printed it all out. Fortunately, everything's digital now. It is his responsibility to go through and make sure all the I's are dotted, the T's are crossed, and that there's nothing hiding in there that we need to know about.

So in the past we had a-- here's our meeting, you should probably get your information to us before then. And we said no, we've got-- we've got to back this out so that everybody has plenty of time. And we pulled our deadline out about

six weeks so that the institutions could get it to us, our staff could fully evaluate it. It comes to this committee two weeks prior to the finance committee meeting. It goes to the full commission one week prior to the meeting.

The reason for that is this committee gets an extra week so that we can go through it, see if there are any particular concerns or questions, and there have been times when going back to the institution with some of the questions, the institution has said, you know what, we might not be ready to present and they've pulled the project. We want to give them that opportunity to pull that project before it goes completely public so that they aren't having to make a lot of explanations and things that might potentially be embarrassing to the institution.

There's also a JBRC calendar and the State Fiscal Accountability Authority calendar. We try as much as we can to get these projects through so that the institution can have them on that JBRC calendar.

This is one thing, Georges, I'm going to turn this to you because Georges is going to be recommending to us that we revamp our calendar to more closely align with JBRC. He's got their schedule for this next year, so that our institutions will only have one deadline to have to worry about.

So I'm going to let you address that.

GEORGES TIPPENS: Yeah, that's-- and we'll talk about that later when the calendar comes up. But JBRC, they finally published their new dates so my calendar doesn't reflect some of their TBDs--

DIANNE KUHL: Okay.

GEORGES TIPPENS: --to be determined dates, but when we set up the initial calendar if it was within a four-week period I matched the hard submission deadline with JBRC's. So the shortest period that I felt comfortable with was four weeks, as you mentioned, because we need to get two weeks out before the committee or the project deadlines.

An example being this past Monday or Tuesday, January 8<sup>th</sup> was our deadline for the February 7<sup>th</sup> meeting, which also was the deadline for the later JBRC meeting at the end of February and also the SFAA meeting in March. So Department of Admin has much longer period than we typically do to review the projects based on the submittals.

When there wasn't a JBRC or a SFAA meeting, then I gave myself a little bit more time, around five weeks to have the projects.

DIANNE KUHL: And that's one of the things that the institutions have in the back of their mind because if they need to get it-- if their construction-- their optimal construction start is here, they've got to back it up and know, all right, somewhere in there we've got to hit these three deadlines. And we tried-- there have been some instances that the Commission has waived a deadline in the case of, say student or life safety if-- obviously, if there's-- tree lands on the roof, we're not going to make you wait another month and possibly miss a JBRC deadline just because well, sorry. Our deadline was two days ago. We're going to be flexible on things like that.

There have other-- also been other instances-- this past year, for instance, we had a land donation. And they had missed the deadline to come to us, but it was

important that that be processed prior to the end of the year in order to make the donor happy with tax laws. So we did waive the deadline-- we talked to staff, said hey can you do it, they said yeah we can. So we waived that deadline so that we could go ahead and do our approval on that and then send it on.

Obviously, there is some degree of flexibility but if it's one of these, well, we just didn't feel like getting around to it, then you're going to wait until the next month. But, you know, fortunately our institutions are really pretty good and they don't abuse the deadlines. They-- everything is important and everything needs to be done yesterday, but I think this is-- this new system that Georges has is actually going to make things a little bit easier for our institutions.

All that cover everything? Good?

GEORGES TIPPENS: So, I know this is probably really hard to see in the peanut gallery, but this is a matrix showing the different types of transactions for establishing-- or the different steps during a life cycle of a project. And where the project needs to go, what's the governing border, who has the authority to approve the project, or recommend in our case, the project op.

And so, you can see the approval needed. Department of Admin has a lot of X's on there, so that is the staff approval level where the project doesn't meet the threshold of SFAA review or the JBRC, or their policy just said, "Hey, we're giving you, we're delegating the authority for staff to approve these types of projects."

Other projects do need to go for the full JBRC board and also the SFAA. There are many projects that go before you all that-- and that will be in the next slide-- that



I have not had authority delegated to me yet to approve, but the Department of Admin or the JBRC staff, which is Rick Harmon, have the authority to approve right now.

Basically-- and I'll give an example of land acquisitions. Any land acquisition goes before the full commission. Those land acquisitions below \$250,000 can be staff approved by the Department of Administration and by JBRC right now.

We actually had a case of this-- this is interesting and I think this is why this would be beneficial to institutions also. Spartanburg Community College had a land acquisition at the end of last year. It was \$297,000. It went before the full board here. It also had to go before JBRC. But because it didn't meet the threshold of being over-- let's see what the value is-- \$1 million, it didn't need to go before SFAA. But the individual from Spartanburg Community College actually drove down to Columbia, attended the SFAA meeting, thinking that his project was going to come up, not realizing that it's already been approved by JBRC and it was already approved by Department of Admin staff. So he didn't need to drive all the way down here to attend the meeting.

DIANNE KUHL: And this is on our website or will--

GEORGES TIPPENS: This will be.

DIANNE KUHL: --this-- this presentation.

GEORGES TIPPENS: So. Yes.

DIANNE KUHL: So this chart will be available to all of the institutions?

GEORGES TIPPENS: Yes. So the first four columns on the right-hand side: JBRC staff, JBRC full, SFAA, Admin, that's already-- that's the policy from the Department of Administration. That's published right now. I added the two columns about CHE and CHE Staff. But we can publish that on our website too.

So here's a breakdown this turn-- type of projects that go before the full Commission. And I don't want-- I'm not advocating for me to have the approval for these at all, but I just wanted to show you the differences and what can be staff approved by JBRC and by the Department of Administration.

So project increases less than 10% due to a fund transfer from another project; that needs to go before the full Commission right now. That's something that can be staff approved at the other agencies.

An increase to budget resulting in a revised project cost under \$250,000. Now, this one's interesting because I had mentioned earlier there's different thresholds for projects. For higher education institutions, the thresholds are higher, right? So it's \$1 million if it's an existing building, \$500,000 for new construction. Those thresholds are much lower for state government agencies. So that \$250,000, that second bullet point, mainly applies to the other state agencies. However, it could also apply to a land acquisition. So, for instance, if a land acquisition was \$200,000, for whatever reason the cost went up \$20,000 that could be staff approved elsewhere, but it would still need to come here for a change.

So we're still [UNCLEAR] changes under \$500,000 with no associated tuition or fee increase. That, you know, is kind of procedural, right? We're changing a funding source within. That's something that can be staff approved by the other

two agencies, but needs to go before the committee here. And any transfers of any value between projects. So you have two existing projects, you want to move money that's already-- from one project because it's going to be-- costs are below expectations to add to another project. That's something that will need to go before the full committee and the Commission here. But something that may be approved by state-- the Department of Administration staff right now.

Are there any--? I know I went through it fairly quickly, but are there any questions about that? And this is explained in the previous chart too. This is just kind of expanding on it a little bit.

So leases. Kind of switching gears a little bit here. They're outlined in both Sections 1, 11, 55, and 56 of South Carolina Code. Leases less than \$100,000 annually require no approval by JBRC or SFAA so those can just be implemented by the institutions. Values above that need to go through the normal approval process.

There is no statutory author-- requirement for CHE to review leases, however, we have been asked to review leases because we do more in-depth analysis. The institutions come here, talk about as a public forum, and then we provide a recommendation up to JBRC and SFAA depending on the thresholds.

This is the current CHE lease policy. So each lease, including renewals, with a term of three or more months in a single fiscal year and at total annual costs of \$100,000 or more must be approved by the Commission. The Commission has delegated staff the authority to approve leases, which commit less than \$1 million

in a five-year period and which do not involve equity accrual. All leases over \$1 million in a five-year period are subject to action by the full commission.

I kind of parsed that language out to summarize what it means to me because there are certain and clauses in there. So basically what that means is if there is a lease that's under three months in term, it does not go before the Commission at all. If it has less than \$100,000 annual cost, again, there's no need for CHE recommendation for approval. If it's between \$100,000 and \$999,000, you're right below \$1 million, total costs over a five-year period-- right now, I have the authority to approve it, as long as that annual cost, again, is above \$100,000. If it's \$1 million or greater over the five-year period, it requires the CHE board approval. I just wanted to bring this out because I don't know if that was the intention of the Commission to have staff approve potentially a one-year lease that's valued at \$999,999 or are you thinking more of, you know, averages if its \$200,000 or below? So I just wanted to bring that out and kind of open it up for discussion by the committee.

DIANNE KUHL: All right. So one of the things that Georges had suggested to us-- because in addition to his many other talents, I believe he also has a legal degree. Georges-- I think there was a section in there where you said we could make it an and/or or just sort of switch that out a little bit because he's got a good point there. As we move forward, do we want to give staff-- thank you-- that opportu-- that ability to approve a lease that large or do we want that still coming before the committee and the full board?

So what would your recommendation be on that potential language change?

GEORGES TIPPENS: If your intention was for an average, I would change the language to say the commission has delegated staff the authority to approve leases with an average annual cost between \$100,000 and \$200,000 for instance. Or whatever threshold limit that you see fit, would be a way around it.

DIANNE KUHL: Comments?

PAUL BATSON: I'm trying to grasp how that-- tell me that again. So what change would be made?

GEORGES TIPPENS: So-- again, I don't know the actual intention—or the thought process of the committee when this policy was approved. But if the idea is that you're looking at that five-year period as an average, not just a total value over the five-year period, I would recommend having the values between \$100,000 and \$200,000 for staff. Because right now the language of it is just-- the threshold is \$1 million over a five-year period. So if the least is much shorter-- that six months, but valued at \$1 million or right below \$1 million, staff technically has the authority to approve that lease right now. But I don't know if that was the intention of the committee when this-- or the commission when this policy was developed.

PAUL BATSON: What do you think, Madam Chair?

DIANNE KUHL: I think-- I was involved in that previous conversation with [UNCLEAR] as well. This was before you joined us, Linda, and I think what we were originally looking at was the total value of the project because when an institution enters in to a lease, they are committing to a certain level of expenditure over a period of time, be it two years, be it five years, be it ten years. And that can affect how their budget operates.

And obviously, if we're sitting here in these economic commissions and looking at this particular financial obligation, if it's something that's going to be high dollars for a longer period of time, we might have a little different set of questions for them. So I would-- I agree with Georges. Obviously, at the end of the day, we have really capable staff, but the buck stops here. And if they approve something and it goes bad, it's on us. So that's why we made some of the changes and said some of this stuff needs to come before the committee and the commission for review just because ultimately it is our responsibility.

You-- for something as simple as \$100,000 lease, I'm perfectly fine with staff approving it. If it's a five-year lease that's \$100,000 each year, I don't have a problem with that. If we're starting to get up into long-term leases or more high dollar leases, then I think that does need to come before the commission because we're looking at that bigger picture. We're not just looking at that lease, we're also looking at the other 14 projects that they've got going on and, you know, for instance we know that MUSC is transitioning into less property ownership and more leases just because that fits their financial model better. I don't think that would be what Clemson would be looking at because the way their assets are situated and the way their campus is, you guys are much more geared toward building than leasing.

So, you know, I think Georges is right that we do need to make some changes to the policy and-- because I don't think we want one person saying, "Yeah, \$1 million for six months? That's good. Not a problem."

LINDA DOLNY:

How specifically would you change that point?

GEORGES TIPPENS: It would just be what the committee and commission wishes, and then I would--

LINDA DOLNY: What would be--

GEORGES TIPPENS: --parse out the language.

LINDA DOLNY: --your suggestion. Read it as you would like it to sit-- to read.

GEORGES TIPPENS: So, for example, this is hypothetical. If you wanted it to be an average over five years, then I would write it as, "The commission has delegated staff the authority to approve leases valued at between \$100,000 and \$199,000 annually over a five-year period." Something of that nature. I'd have to write it out, but--

LINDA DOLNY: Mm-hmm.

GEORGES TIPPENS: --to be more specific and stop that potential of having a shorter term lease valued up to \$1 million be approved by staff.

DIANNE KUHL: Why don't we do this just for the sake of expediency, why don't we say that yes-- or we can agree or disagree that this is something that we would like to see tweaked a bit, and then we can work with Georges, get that rounded out a little bit, send it out for comment, bring that back in, and then we can vote to approve it at our next meeting?

PAUL BATSON: I agree with that. And let's talk about the-- who has the authority to change that policy? This committee or--

DIANE KUHL: This committee.

PAUL BATSON: --the full commission? This committee?

DIANNE KUHL: Mm-hmm.

PUAL BATSON: Okay. I'm on board.

LINDA DOLNY: The question that I had earlier and I didn't want to interrupt you, you made the statement that they-- as it relates to leases, that we were asked to look at leases. Who was the "we"?

GEORGES TIPPENS: The commission.

DIANNE KUHL: The commission.

LINDA DOLNY: The CHE Commission?

DIANNE KUHL: Mm-hmm.

LINDA DOLNY: Okay. So it wasn't legislators, it wasn't the schools themselves. It was a decision that the full commission kind of made that we need to have an input--

DIANNE KUHL: No.

LINDA DOLNY: --on the lease?

DIANNE KUHL: No. That-- to be perfectly frank, the request was sent to us by Senator Leatherman--

LINDA DOLNY: Okay.

DIANNE KUHL: --as Chair, I believe, of JBRC and--

GEORGES TIPPENS: Executive of Finance, JBRC.

DIANNE KUHL: --you know, he sent that request to us and said-- because we had that con-- this was before my day even, and we had that conversation that says, you know, we don't really do this and he said, "Yeah, you do now."



LINDA DOLNY: [Laughing] Okay. That was all my questions. Thank you.

DIANNE KUHL: We said, "Not a problem. Sure." [Laughing]

LINDA DOLNY: Absolutely.

DIANNE KUHL: So.

LINDA DOLNY: That's what we'd say again. [Laughing]

DIANNE KUHL: Absolutely. So in-- will that work for you?

GEORGES TIPPENS: I can work with you. Tell me exactly what you want. I can parse the language out--

DIANNE KUHL: Okay.

GEORGES TIPPENS: --and have it before the committee meeting next--

DIANNE KUHL: So another month won't mess you up and-- okay. Perfect. All right. We will do that.

I know you've got some more for us.

GEORGES TIPPENS: Did our presentation please the jurors?

DIANNE KUHL: Is it CPIP?

Just as an FYI, Linda and Paul, at our last meeting we did talk a little bit about the CPIP process and how it had moved forward. This is the Capital Permanent Improvement Projects and every year the institutions submit a-- basically a five-year plan that says, "Here's what we think we want to build, or how we want to expand over the next five years" and then they rank each year by priority. In the past, there was-- if it was on the Year One CPIP, the Commission would go through

and say-- sort of do a blanket, "Okay, we're going to approve all of this, but we're going to pull these things." And then we'd send it over and we didn't look at it again.

The way that that has changed is now the CPIP is more of a notice of intent, but we still do Phase I and Phase II reviews, just like JBRC or SFAA would do. The CPIP is an incredibly useful planning tool though because when an institution comes to us with this project, we can look at CPIP and we know that within this year they also plan to build X number of facilities. So if we're looking at it and you have a reserve of \$4 million and you're going to spend all four of it and you've got six other projects on here that might or might not look more important to us than this one, that gives us that opportunity to go back to the institution and go, "What about fixing the plumbing in this building" or what about and let them bring their line of thinking to us on that.

But this past year, the Department of-- well, last year the Department of Administration made a number of changes in how they were processing CPIP and one of the things that they asked was that we begin-- and we are statutorily required to review the CPIP and to provide some form of ranking. It would be virtually impossible to go through and rank 200, 300--

GEORGES TIPPENS: 350.

DIANNE KUHL: --350 projects-- that's both the four-year research and technical sectors, but to go through and rank all of those with anything other-- I mean. You know, this is basically the old you stand at the top of the stairs and the one at the top, okay, these get the highest scores and the one at the bottom get the lowest scores. I

mean, it would be about that meaningful because there's no way that you can delve in to it and do that level of evaluation.

So what we chose to do in order to fulfill our obligation would be to say, as a Commission, these are the things that we believe are important. First and foremost, you need to look at maintenance. You need to look at preserving the assets. You need to look at protecting the buildings that you already have. Take care of deferred maintenance first. Secondary would be core to mission projects. You know, your academics, things that are central to what the university is supposed to be doing. And then third would be ancillary and auxiliary, the fun stuff.

And so that's how we sent it back to them and said, "Here's our priority". Governor McMaster, this year, said, "No, I want you to do something a little bit different." And he asked for a more specific review and wanted us to go through the projects and categorize them as want versus need. Want versus need gets very subjective, and that's one of the things that we fought and said, "No, no. We are working very hard now to be objective and data driven," but they wanted want versus need, so our Commission staff did that.

We did send the letter that we discussed that said, "This is coming to you because you asked for it, but it comes to you without the review and without the recommendation of the Commission." So our staff sent the information as requested, but we have made it extremely clear that that was not what we thought was a good idea and we gave them the reasons why it wasn't a good idea to do it that way, in that letter. And that's how it's gone over to them. So that

letter did go, so for our institutions that had some level of concern over the want versus the need, we made it very clear that this has not been reviewed and does not represent any form of policy statement or recommendation from the Commission.

So, that being said.

GEORGES TIPPENS: Okay. Thank you for that rousing endorsement of my work.

[Laughter]

DIANNE KUHL: He did a really good job. I mean, poor Georges got stuck in a really difficult position.

GEORGES TIPPENS: Yeah. And the letter that Commissioner Kuhl is referencing, it's the cover sheet to the analysis, which is available on our webpage, linked through the Agenda. You can click on the CPIP Analysis that went to the Executive Budget Office back in November.

So this is going to be a much briefer presentation. I'm just going over the framework that I developed to kind of categorize these projects and put them in want and needs buckets. So without further ado.

So last year we categorized-- this is more an objective versus subjective, but you know, we're looking at the project descriptions so there is a bit of subjectivity in-- of it too. The types of projects and what they could fit in to.

So the top one was an established project. So that meant it had already gone through the process. It already had a project number, Phase I, or a Phase II through us, JBRC, and SFAA.

I also categorized as a maintenance need. So this meant whether it's a current project, it needed-- not necessary a renovation, but that could be a small piece of it, but more-- they had leaks in the exterior of the building envelope, asbestos remediation, things of those nature we categorized as maintenance.

Renovate and repurpose was more the building hasn't been-- had any updates for the last 30 years. They needed to modernize it for the modern pedagogy. Make it more, you know, IT friendly, things of those nature.

New construction was if at least 50% of the cost related to building a new structure, facility, or other. And this is kind of like planned acquisitions, site development, maybe resurfacing a parking lot, things of those natures.

From that, once we did those five categories, then did the analysis of whether it was a want versus a need. So I started off with a baseline methodology, very strict. Looking at needs as it was a maintenance need or there was some life safety aspect for the students. An example of that would be, I think Winthrop University was trying to replace all their fire alarms in a building that were outdated, weren't connected centrally, you know, that was a risk to the students. So something like that would be, yes, that is important. We don't want student lives at risk. That is a need of university. Everything else was a want.

So anything that was renovation, filled in that bucket. Bryce and I then contacted all of the four-year institutions, kind of went over that framework, what our initial wants versus needs were and we got some valuable criticisms and critiques and feedback. Craig Parks over there, USC, was on the phone, calling to help me out a lot. And from all the feedback that Bryce and I received from the institutions, I

developed two different alternative methodologies. Kind of looked at what the common feedback was.

And so methodology two still categorized meth-- you know, alternative one which-- or the baseline, which was the maintenance needs and the life safety aspects as needs, but also included other things such as a project addressed E&G program deficit. So that could mean, for example, Frances Marion based on all of their studies, a lot of their research, they saw in the Pee Dee region that there was a need for nursing. So they wanted to expand their nursing program. That was then categorized as a need for the institution. Again, everything else was a want.

Using alternative methodology two, we further defined needs as things that had to do with renovations of the building if-- within the description there was adequate evidence showing that the building hadn't been renovated for a number of years. This again goes to the modernization. You know, students today that are coming up are a lot different than when I went to undergraduate and other people and generations went to undergraduate. You know, technology has changed everything. So the schools do need to modernize and so using that methodology, I also moved a bucket of those wants to the needs categories.

Now, I didn't include all of the numbers here in this presentation. The full CPIP analysis breaks it down by institution using the different methodologies, holistically. So looking at-- under methodology one, how much money was involved as a want versus a need. Methodology two, you can see that shift in

using methodology-- the last methodology you can see the further shift of putting more money into needs versus wants.

As an appendix, there is also an attachment showing project by project how it was categorized using each of those methodologies. So if you want a more in-depth analysis of what the CPIP showed, you can look at the full documents. And I believe this is coming before JBRC in their upcoming meeting-- a recommendation which they're going to act upon.

So if there are any questions, I'd be happy to answer some.

PAUL BATSON: I don't have a question-- well, maybe one. I think the letter was well written to reflect the feeling that we had and it states pretty strongly that we haven't passed judgment as a Commission on these projects. And I think it's a massive amount of work that went in to that, and I appreciate the fact that you all have done that so diligently.

GEORGES TIPPENS: Bryce was a big help with me with talking to all the institutions and helping me brainstorm about how best to determine the methodologies. So I want to thank him specifically too.

PAUL BATSON: And my only question with that is, do we have any idea what JBRC and SFAA are going to do with this?

GEORGES TIPPENS: I believe they're just going to incorporate it as the recommendation. That's what Rick Harmon said, but something with the committee has to act upon so their-- our analysis they use that with everything else that comes up. You've got

all the same agencies for all of their CPIP projects and they act upon it. But I can't specifically say what the next step is by JBRC [UNCLEAR].

DIANNE KUHL: It's my understanding that they-- I mean, it doesn't change the capital process at all. That they will accept and say okay. I think they use it for budget planning purposes and so they'll accept that as they're moving forward with their planning. But just because they accept it or recommend it as this year's CPIP, the cap-- it's not saying, "Okay, we've just approved these projects." They still all have to come through--

PAUL BATSON: Right.

DIANNE KUHL: --just like they always have. But-- and I will say that one of the things that I liked about this process was the opportunity for outreach between our staff. Georges and Bryce did a fantastic job reaching out and talking to our institutions, which number one gave us another bridge to our schools and number two it helped, I hope, to dispel some of the concerns-- because I know, Linda, you heard a-- Linda got an earful from some of the [Laughing] the comprehensives about this process and it gave us that opportunity to go back to the schools and say, "Look, you know, nobody's passing judgment. This is what we've been asked to do. What do you think about it?" And after they finished telling you what they thought about it, it's like okay, so how we going to do this?

And the feedback from the institutions, I think, was very valuable and it gave us then that opportunity to present this information in different formats so that-- and I think that's actually pretty valuable to see the progression. If this, then that. So, you know, I'd like to thank our institutions for working with us on



this and, you know, I think this is hopefully the first step in that right direction of increasing the level of communication. Because we don't always have to agree on everything, but we've got to work together. And if we can do that, then we can get rid of a lot of the misunderstandings that seem to be in place.

And I think you did a really good job with that. And I hope, Craig, Beth, would either of you all like to comment on the process or have anything you'd like to throw in to it?

CRAIG PARKS: Madam Chairwoman, just very quickly yeah. First of all, Georges and Bryce, phenomenal professional job. Thank you very much.

Just one clarification or question of clarification. With all of that said and with the Commission, thank you for the letter expressing many of the concerns that institutions had and delivered to its-- to the folks that requested this. And you've, in a sense, distanced yourself from the needs versus want analysis as a Commission, is this a one and done from the Commission's perspective in terms of that process, need versus want? Or is this ongoing and then relative to JBRC-- and we can clarify with them as well--

DIANNE KUHL: Mm-hmm.

CRAIG PARKS: --but we'd like to review will this be used as a staff report trying to understand its report without the recommendation of the Commission? Did I understand to say that the Joint Bond Review would take that and then it says need here, want here, and then make a decision based on that? Does that make sense what I'm asking?

DIANNE KUHL: I think you're going to have to ask JBRC--

CRAIG PARKS: [UNCLEAR]

DIANNE KUHL: --what they're going to do with it.

CRAIG PARKS: All right.

DIANNE KUHL: From our standpoint, and Paul, Linda, feel free to correct me. I think it's one and done for us. We're going to move forward like we've always been doing. We look at the CPIP, at the information-- hey Chuck-- we look at the information that you guys provided to us and we will use it in the same way that we've been using it over the past couple of years. This is a-- it's a planning tool. CPIP is a planning tool. That's what it's supposed to be.

And, you know, we will have the same conversations we've had with you about really, really? Explain to me how an ice skating rink in the middle of Lake Hartwell is a need. You know. We're going to have that conversation with you. And if you can get it 100% donor funded, I don't care.

But no, I don't think this is something that you all need to look at. I personally will not be going back and looking at this particular report from a need versus want basis because that was-- a lot of work went in to it, but it was still subjectively evaluated because he didn't have all the information.

CRAIG PARKS: Yeah.

DIANNE KUHL: I mean, you know, all he had was, you know, a couple of paragraphs in here talking about this project. There's no way for him to go through and fully evaluate the project like we do when we-- on our individual reviews.

CRAIG PARKS: I know. And I can't, again, I can't reiterate enough the professionalism that your staff exhibited. It was a tough spot for all of us.

DIANNE KUHL: They're pretty good, you know?

CRAIG PARKS: They're fantastic.

DIANNE KUHL: We like them.

CRAIG PARKS: Fantastic.

PAUL BATSON: I think at the end of the day, as Chairman Kuhl has said, and Georges too, we went in to this kicking and screaming. We didn't want to have any part of this.

CRAIG PARKS: We very much appreciate that.

PAUL BATSON: So our whole objective on any of these capital projects is a completely objective analysis of this project pushed us away from that, so hopefully you will hear more from--

DIANNE KUHL: So would both of you agree just to specifically answer Craig's question that as far as we're concerned, this was a one and done?

LINDA DOLNY: Yes.

PAUL BATSON: Absolutely.

DIANNE KUHL: Okay.

CRAIG PARKS: Not that you needed to satisfy me, but I do appreciate that.

[Laughter]

PAUL BATSON: I'm glad for that question.

DIANNE KUHL: Beth, did--

CRAIG PARKS: And again, thank you, Georges and Bryce.

DIANNE KUHL: --you guys have anything from Clemson?

BETH BELL: I think Craig captured it very well.

DIANNE KUHL: Okay. All right. All right. We have Capital Projects and Approvals.

GEORGES TIPPENS: The-- this calendar is next on the agenda.

DIANNE KUHL: Oh, calendar's next. Okay. I'm so sorry. All right. Go ahead and share your thoughts on that one.

GEORGES TIPPENS: So here's the proposed calendar. As I mentioned, these dates were set before JBRC and SFAA finalized their calendar. But what I attempted to do in most instances was to match our deadline with the JBRC and SFAA deadline for those months that were practical.

So as you can see, give us an example, January 8<sup>th</sup>, which was a couple days ago, our meeting's on February 7<sup>th</sup>, JBRC's is on February 20<sup>th</sup>, SFAA's on March 5<sup>th</sup>, but we married the deadline just to make one deadline for the institutions knowing that they have to go through the whole submittal process. In those months where it wasn't practical or there wasn't assigned JBRC or SFAA deadline, I typically did four to five weeks, again just to match up with the institutions.

So the one point I do want to mention is-- that might be tricky-- is the, we don't have a meeting in July. So when you look at the June, July, August, there's a JBRC meeting on June 4<sup>th</sup>. Our meeting isn't until June 6<sup>th</sup>. So to get on that June

calendar, the deadline would be March 29<sup>th</sup>, until the next JBRC meeting. And that's not something that I could really fix with the calendar. It's more an issue of JBRC is scheduled to meet two days before this committee is scheduled to meet and then we have the whole prior month.

So that is a tricky issue that we need potentially to consider moving forward for the institutions, that they may have to submit a project a couple months in advance just to get through our process if it needs to be on the upcoming JBRC calendar. So that's just something for our institution partners to be aware of and plan accordingly when they're looking at the full approval process to meet JBRC and SFAA.

DIANNE KUHL: I think we can ask Chairman Hayes if it is his intention for us to have a July meeting and that might also make your life a little bit simpler.

PAUL BATSON: Madam Chair? You and I had a discussion on this January deadline.

DIANNE KUHL: Mm-hmm.

PAUL BATSON: And I know we had one discussion, one project we're going-- I'm going to get clarification on that.

DIANNE KUHL: Okay.

PAUL BATSON: But if we need another day or two on this January deadline from CHE standpoint, how do we go about making sure we get that?

DIANNE KUHL: I think at this point you talk to me and Georges.

PAUL BATSON: I'm sorry?

DIANNE KUHL: Talk to me and Georges.

PAUL BATSON: You and Georges. Okay.

DIANNE KUHL: We'll address that particular issue.

PAUL BATSON: I don't think we're going to need it, but I'll--

DIANNE KUHL: Okay.

PAUL BATSON: --I've got that in the books.

DIANNE KUHL: Okay.

PAUL BATSON: Thank you.

DIANNE KUHL: Linda, Paul, on-- I asked Georges to bring this back to us because the original deadlines were set by this committee. So I felt like if we were going to make changes in the deadlines; that needed to be authorized by the committee. Basically, the way I put it to Georges was, "You're the one who's going to have to do the work. Make sure that the deadlines are going to fit. If you're going to pull this from six weeks to four weeks, make sure you can handle 22 projects because that will be the month that you'll get it." So he has assured me he can do it.  
[Laughter] What?

Are you guys okay with adopting the new calendar?

LINDA DOLNY: Mm-hmm.

PAUL BATSON: I'm good. Yeah. Sure.

DIANNE KUHL: For our institutions, will you find it beneficial or will it make any difference to you to have our deadline synced with JBRC's?

FEMALE SPEAKER2: I think it helps.

DIANNE KUHL: Okay.

MALE SPEAKER6: I think it makes good sense.

DIANNE KUHL: Okay. Good deal.

MALE SPEAKER6: Appreciate that.

DIANNE KUHL: All right. Then we have before us the suggestion for a new calendar for the deadlines for submission for capital projects. Do we have a motion to accept this?

LINDA DOLNY: So moved.

PAUL BATSON: Second.

DIANNE KUHL: All right. All in favor?

[Multiple speakers, "Aye"]

DIANNE KUHL: You have a new calendar, my friend.

And now you've got about two and a-half minutes to do the interim capital project which are the staff approvals.

GEORGES TIPPENS: Okay. Do you want me to go over this by list or I--

DIANNE KUHL: No, you can just summarize it.

GEORGES TIPPENS: So this is a-- there's a small typo up top that it's November 2018. There were a lot of projects over the last two months. It is a mix-- all of the open projects, or most of them, had to deal with establishing projects that received funds through the legislature, so through the capital reserve fund or through a specific earmark in the budget bill. The completed projects were mainly decreasing budgets, closing them out, procedural work that doesn't need to go before the full Commission.

And the next page were the ones that I did in December. Again, it's a mixture of legislatively appropriated funds and also just closing out the projects that had finished.

DIANNE KUHL: Okay. Any questions?

GEORGES TIPPENS: No leases. Just capital projects.

DIANNE KUHL: All right. Thank you. For-- on our final notice, we move in to other business with Commissioner Kirkland's resignation. And we do need a Vice Chair. And Commissioner Batson has been suggested as a good candidate for that, both with his seniority and knowing a thing or two about numbers, being a professional accountant.

[Laughter]

DIANNE KUHL: I did ask him if he would be willing to consider this last night and he said so long as I didn't try to talk to him between now and April the 15<sup>th</sup>.

[Laughter]

DIANNE KUHL: But I will nominate Commissioner Batson as our new Vice Chair.



LINDA DOLNY: Do need a second.

DIANNE KUHL: And, we're not going to let you vote on it, so [Laughter] Linda I vote yes.

LINDA DOLNY: I-- so do I.

DIANNE KUHL: Okay. It's yours, my friend.

LINDA DOLNY: Thank you.

PAUL BATSON: Thank you.

DIANNE KUHL: We will send flowers of condolence at a later point in time.

[Laughter]

PAUL BATSON: Thank you, Madam Chairman.

DIANNE KUHL: Is there any other business to come before the committee?

[No audible response]

DIANNE KUHL: May I have a motion to adjourn?

PAUL BATSON: So moved.

LINDA DOLNY: Second.

DIANNE KUHL: We stand at adjournment.

PAUL BATSON: Thanks.

DIANNE KUHL: Three minutes to go. All right. Georges, great job. Very good.

LINDA DOLNY: Yes.

DIANNE KUHL: Good morning, good afternoon.

MALE SPEAKER7: Good morning, Dianne.

DIANNE KUHL: Merry Christmas. Happy New Year.

MALE SPEAKER7: Morning. Merry Christmas. Happy New Year. All those things.

MALE SPEAKER8: Hope you had a good one.

[End of transcription]