

South Carolina Commission on Higher Education

Finance and Facilities Committee Board Meeting

September 5, 2019

DRAFT MINUTES

COMMITTEE ON FINANCE AND FACILITIES

SEPTEMBER 5, 2019

10:00 A.M.

S.C. COMMISSION ON HIGHER EDUCATION

1122 LADY STREET, SUITE 300

COLUMBIA, SC 29201

Committee Members

Commissioner Charles Dalton, Chair
Commissioner Paul Baston, Vice Chair
Commissioner Linda Dolny
Commissioner Edgar Dyer (via phone)
Commissioner Patrick White

Staff

Dr. Rusty Monhollon
Mr. Georges Tippens
Mr. Bryce Wilson
Ms. Yolanda Myers
Ms. DaVaris Hatten

Guests

Colonel Charles Cansler (via phone)
Jeff Lamberson (via phone)
Ward Logan (via phone)
Kevin Bower
Beth Bell
Carol Routh
Rick Petillo
David Watson
Tony Wagner
Mark Cothran
Paul Patrick (via phone)
Darry Bridges (via phone)
Thomas Welch (via phone)
Ralph Davis (via phone)
Benjamin Blanks (via phone)
Greg Weigle (via phone)
Katherine Haltwinger (via phone)
Lisa Montgomery (via phone)
Dr. Kyle Wagner
Jack Claypoole
Charlie FitzSimons
Derek Gruner
Kirsten Kennedy
Mandy Kibler
Craig Parks
Stacey Bradley
John McArthur
Luke Rankin
Gary Pope
Kevin Kibler
Didier Nobels

The Citadel
The Citadel
The Citadel
The Citadel
Clemson University
Clemson University
Clemson University
Clemson University
Clemson University
Clemson University
Clemson University
College of Charleston
Francis Marion
Francis Marion
Francis Marion
Francis Marion
MUSC
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MUSC
Northeastern Technical College
University of South Carolina
University of South Carolina
University of South Carolina
University of South Carolina
University of South Carolina
University of South Carolina
University of South Carolina
University of South Carolina
University of South Carolina
USC Student Body President
Pope Flynn
S.C. State Treasurer's Office
Lambert

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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 Dalton called the meeting to order at 10:04 a.m.

2. Approval of Minutes

A motion was made (Dolny), seconded (White), and carried to approve the minutes of the August 1, 2019 Finance and Facilities Committee meeting.

3. Chair's Report

Chair Dalton thanked everyone for being in attendance and led the room in a moment of silence for the individuals affected by Hurricane Dorian.

4. Permanent Improvement Project Approvals

The following agenda items were presented:

A. The Citadel

- i. Academic Building Replacement (Capers Hall)
 - Establish Phase II Construction Budget

Georges Tippens introduced the item. The Citadel sought recommendation of the Committee on Finance and Facilities to initiate the construction phase of a project to replace its 70,800 square foot existing academic facility with a larger 107,700 square foot facility. The Commissioners were interested in the financing and cost of the project. They asked whether The Citadel was confident in the \$67 million budget given that the project was initially approved in 2014. Additionally, the Commissioners sought institutional verification that in-state students are currently charged a \$1,000 per year fee and out-of-state students a \$1,755 per year fee for capital improvement fees, which are sizeable increases from what students were charged in academic year 2017 and prior. They also inquired how much of the project budget on the A1 form was available cash on hand versus what The Citadel expected to raise during project development. According to The Citadel staff, currently the University has approximately \$23 to \$24 million of the \$29 million on hand, excluding the planned state institution bond issuance. Chair Dalton asked for a motion to recommend the project, which was made (Batson) and seconded (Dolny). The Committee carried the motion to recommend the project as presented.

- ii. Johnson Hagood Stadium Sansom Field Turf Replacement
 - Establish Phase II Construction Budget

Georges Tippens introduced the item. The Citadel sought recommendation of the Committee on Finance and Facilities to initiate the construction phase of a project to replace the natural sod turf at its football stadium with a synthetic turf manufactured by the Sport Turf Brand. The Commissioners noted that Phase I was recently approved and inquired when the construction phase would start. The Citadel staff

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stated they intend to start the replacement in January, after the current NCAA season ends, so the field is ready for academic year 2020-21. The Commissioners also inquired about independent safety tests. The Citadel staff stated that they have done their due diligence and that the turf they will be installing has consistent benchmarks based on an industry-standard test. The Commissioners also were interested in the useful life of the field and what The Citadel envisions will take place in 10-12 years when the field will need replacement. Staff stated that at this moment they believe they will install the best available synthetic turf on the market at that time. Chair Dalton asked for a motion to recommend the project, which was made (Batson) and seconded (Dolny). The Committee carried the motion to recommend the project as presented.

B. Clemson University

- i. Wastewater Treatment Plant Improvements
 - Establish Phase I

Georges Tippens introduced the item. Clemson University sought recommendation of the Committee on Finance and Facilities to initiate the design phase of a project to upgrade and replace components of its wastewater treatment plant. The Commissioners asked whether this project would increase capacity or only includes upgrades. Clemson staff stated that their current capacity can meet forecast demand for the next twenty years; the primary purpose of this project is to perform system upgrades to meet DHEC redundancy requirements. In addition, Clemson staff stated that the project will improve treatment methods, including stopping the use of chlorine treatment, which is hazardous for staff. The Commissioners also asked about the uncommitted Maintenance and Stewardship Funds balance, inquiring what the balance will be after the commitments of this and the Daniel Hall Renovation project (discussed below). Clemson staff stated that approval of these two projects will reduce the uncommitted balance to approximately \$36 million, from \$69.5 million; however, based on current enrollment, the account receives approximately \$23 million annually after debt service obligations. Chair Dalton asked for a motion to recommend the project, which was made (Dolny) and seconded (White). The Committee carried the motion to recommend the project as presented.

- ii. Daniel Hall Renovation and Expansion
 - Establish Phase II Construction Budget

Georges Tippens introduced the item. Clemson University sought recommendation of the Committee on Finance and Facilities to initiate the construction phase of a project to expand and renovate Daniel Hall, the primary E&G facility on its campus. Clemson staff gave an overview of the project, including its two-tiered approach that first constructs an addition that can be used for classroom space while it performs renovation of the existing building. Clemson staff said this blended approach of new construction and renovation is more cost effective than building a new campus building. Clemson University staff also discussed the primary cost drivers of the \$15 million increase from the budget included in the Phase I submittal, noting that the estimate based on the feasibility study was inadequate and certain factors were discovered during Phase I that drove up cost. Commissioners also inquired about the

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projected \$390,000 additional operating costs resulting from the project. Clemson staff stated that the cost will be funded through normal operations and it has already been built into the University's budget plans. Chair Dalton asked for a motion to recommend the project, which was made (Batson) and seconded (Dolny). The Committee carried the motion to recommend the project as presented.

C. College of Charleston

- i. McAlister Residence Hall 2021 Renovation
 - Establish Phase I

Georges Tippens introduced the item. College of Charleston sought recommendation of the Committee on Finance and Facilities to fund the design budget of a project to perform extensive deferred maintenance on its 535-bed McAlister Residence Hall, a 152,000 square foot building originally constructed in 2002. College of Charleston staff gave an overview of the history of the project, including its actions to seek redress from parties involved in the construction of the facility. The Commissioners asked about the College's plans to finance the construction of the project and how the use of non-auxiliary funds aligns with the requirements of Proviso 117.11. College of Charleston staff stated they believe they can use excess debt service because the Proviso language alludes to the "expected useful life" of a facility; because the facility is in disrepair, it has passed its useful life. The Commissioners asked whether the College has entertained other financing options for Phase II, to which College staff said they have been exploring. Commissioners also inquired about the construction timetable and whether the ongoing litigation affects it. College of Charleston staff noted that the College expects to start construction in May 2021 and it plans on bringing Phase II through the necessary approval steps in the 2nd or 3rd quarter of calendar year 2020. Staff stated that litigation is a factor, but there are other factors related to taking a residence hall offline for an entire year, such as needing to find and lease swing space and going through the approval process with Real Property Services. Chair Dalton asked for a motion to recommend the project, which was made (White) and seconded (Dolny). The Committee carried the motion to recommend the project as presented.

D. Francis Marion University

- i. Athletics Renovations/Improvements – GAC Fieldhouse & Smith University Center
 - Establish Phase I

Georges Tippens introduced the item. Francis Marion University sought recommendation of the Committee on Finance and Facilities to initiate the design phase of a project to expand its athletic complex and renovate a portion of its Smith University Center. The Commissioners inquired whether the project was demand driven or whether Francis Marion University was seeking this project for program expansions. Francis Marion University staff stated that their athletic programs have already grown, particularly JV programs, and they added that the initial design of the fieldhouse was for an expansion at some point; they purposefully phased the project. The Commissioners also asked about Phase II planned funding. Francis Marion staff said they expect to refinance existing athletic revenue bonds and wrap around this

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new issuance. They stated that their current rate is 4.98% and believe that the refinance and new issuance will be in the 2.4 to 2.5% range based on existing conditions; this will net the University approximately \$650,000 in savings through 2033 according to their projections. Chair Dalton asked for a motion to recommend the project, which was made (Dolny) and seconded (White). The Committee carried the motion to recommend the project as presented.

E. Medical University of South Carolina

- i. New College of Pharmacy Addition and Innovative Instructional Redesign Renovation
 - Establish Phase II Construction Budget

Georges Tippens introduced the item. Medical University of South Carolina sought recommendation of the Committee on Finance and Facilities to initiate the construction phase of a 26,000 square foot addition to its Basic Science Building for the relocation of its College of Pharmacy and to renovate 81,000 of existing space across two facilities. The Commissioners asked the University to provide a history of the project and to discuss the \$5 million increase in cost and scope changes compared with the Phase I submittal. MUSC staff stated that the scope changes were minimal and the increase in cost was due to using a more refined approach with a construction manager at risk compared with work done during the feasibility study particularly relating to site development and demolition work. The Commissioners also asked about MUSC's plans for the existing facility used by the College of Pharmacy and the impact to student fees from issuing State Institution Bonds. MUSC staff stated they plan on divesting the building, but in the near-term, will shut it down; demolition is not an option because of its historic nature. Regarding student fees, MUSC staff stated that no student fees will be used for the project. Even though it plans on issuing \$18 million of state institution bond debt, it believes its recurring \$1.5 million general fund appropriation is sufficient to cover the debt service over the 20-year repayment period. Chair Dalton asked for a motion to recommend the project, which was made (Dolny) and seconded (White). The Committee carried the motion to recommend the project as presented.

- ii. Clinical Sciences Building High Risk Infectious Disease (HRID) Unit
 - Phase II Budget Increase

Georges Tippens introduced the item. Medical University of South Carolina sought recommendation of the Committee on Finance and Facilities to increase its construction budget by \$635,000 for a project that will upfit space in its Clinical Sciences Building for the Medical University Hospital Authority's high-risk infectious disease unit. The Commissioners asked whether MUSC applied for the federal grant. MUSC staff answered affirmatively and added that this funding increase will be zero cost to the University. Staff stated that the current grant has money available for the additional construction costs and the hospital authority will use its own clinical revenues to purchase furniture and supplies; items the hospital authority would have purchased with the grant funds notwithstanding the budget increase. Chair Dalton asked for a motion to recommend the project, which was made (Batson) and seconded (Dolny). The Committee carried the motion to recommend the project as

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presented.

F. Northeastern Technical College

- i. NETC – Cheraw Campus Renovation
 - Establish Phase II Construction Budget

Georges Tippens introduced the item. Northeastern Technical College sought recommendation of the Committee on Finance and Facilities to initiate the construction phase of its project that will perform renovations on up to seven campus buildings and construct a 5,000-square foot pre-engineered metal maintenance building. The Commissioners asked about the need of the project and a description of the campus. NETC staff stated that the college buildings are circa 1973 and have not have any major maintenance or renovation completed. As an example, the College President stated that some of its workforce programs only have a female restroom with one stall because the programs did not have large female enrollment at the time. The Commissioners also asked why local support was not higher. The President stated that in his opinion, the nearby counties want to see improvements at the campuses first before they invest more. While before the Committee on Finance and Facilities, the President also discussed various initiatives the College has implemented to increase enrollment and help the community. The Committee applauded Dr. Wagner for the work he is undertaking at the College. Chair Dalton asked for a motion to recommend the project, which was made (Batson) and seconded (White). The Committee carried the motion to recommend the project as presented.

G. USC Columbia

- i. Campus Village Residential Development
 - Establish Phase II Construction Budget

Georges Tippens introduced the item. USC Columbia sought recommendation of the Committee on Finance and Facilities to establish a project to initiate the construction phase of a project to develop a “Campus Village.” The first stage of the project is the demolition of a residence hall, construction of four residence halls, and the construction of a parking garage/transportation hub. In total, the project will provide a net increase of approximately 1,500 beds. The Commissioners mentioned that USC has been proactive explaining the project, meeting and calling with individual commissioners over the preceding month. They did mention some of their initial concerns, which USC has mostly relieved. These included: almost doubling its housing revenue debt financing from an outstanding \$232 million to \$442 million, student safety related to crossing the railroad tracks to get to the main campus, and limiting the market for students by potentially requiring sophomores at the University live on campus as a contingency to make the bond payments. Commissioners also inquired about support from the President and the Board of Trustees. USC supplied a letter signed by President Caslen indicating his support for the project and the USC Student Body President, who serves ex-officio on the Board, discussed the current Board’s support. The Commissioners requested that if USC seeks approval of stage 2 of the planned project later that they would like to see a housing market study that includes a private housing market supply and demand

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analysis. Chair Dalton asked for a motion to recommend the project, which was made (Dolny) and seconded (Batson). The Committee carried the motion to recommend the project as presented.

5. Other Business

- A. Georges Tippens stated he processed six institutional requests during August 2019 based on authority the Committee has given staff. Two of the requests were establishment of projects for The Citadel and Francis Marion University funded solely by the capital reserve fund. The other four approvals related to closing completed projects.
- B. The Committee on Finance and Facilities reelected Commissioner Dalton as Chair of the Committee. They also elected Commissioner Dolny to serve as Vice Chair.

Adjournment

The Committee adjourned the meeting at 11:53 a.m.