

MINUTES
SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION
Finance and Facilities Committee Meetings
January 19 and February 2, 2006

Committee Members Present

Ms. Rosemary Byerly
Dr. Doug Forbes
Mr. Jim Konduros
Mr. Dan Ravenel
Mr. Jim Sanders
Mr. Neal Workman

Mr. Walter Hardin
Mr. Craig Hess
Mr. David LeGrande
Mr. Scott Ludlow
Ms. Linda Lyerly
Mr. John Malmrose
Mr. Tom Mayer
Col. Isaac Metts
Mr. Scott Poelker
Mr. Charles Shawver
Mr. Bryce Wilson

Committee Members Absent

Mr. Larry Durham

CHE Members Present

Dr. Layton McCurdy
Ms. Cynthia Mosteller

Staff Present

Ms. Camille Brown
Ms. Julie Carullo
Dr. Conrad Festa
Mr. Gary Glenn
Ms. Alyson Goff
Ms. Lynn Metcalf
Ms. Jan Stewart

Guests Present

Mr. Clarence Bonnette
Mr. Bill Bragdon
Mr. Robert Brown
Ms. Priscilla Burbage
Mr. John Gardner

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

Ms. Byerly, chair of the Committee on Finance and Facilities, called the meeting to order. Ms. Metcalf introduced Mr. Gary Glenn as the newest addition to the Finance, Facilities, and MIS division at CHE. Mr. Glenn then introduced the guests in attendance. The following matters were reported on:

I. Approval of Minutes of Meeting on January 5, 2006

Since there were no additions or corrections to the Minutes of the meeting on January 5, 2006, the minutes were approved as written.

Members of the Committee recognized the death of Harry McKinley Lightsey Jr. – the former College of Charleston president, and noted Dr. Lightsey’s contribution to higher education in the State.

II. Consideration of Interim Capital Projects

Ms. Byerly described the projects and asked Ms. Metcalf to provide any additional information she believed would be beneficial to the committee. The following projects were presented and discussed:

a. College of Charleston

Rivers & Buist Residence Hall	\$ 1,945,000	-establish project
Historic Houses Interior & Exterior Repairs & Upgrades	\$ 895,000	-establish project

Mr. Ravenel asked for the construction years of Rivers and Buist Hall. Ms. Burbage answered the two buildings were built in 1973 and 1976 and noted the two buildings were connected by a breezeway.

Mr. Sanders asked if the deferred maintenance request made by the Commission on behalf of the institutions included dormitories. Ms. Metcalf answered that it did not as dormitories were funded through auxiliary funds and must be self-supporting, by law. Mr. Sanders asked if another figure existed to include deferred maintenance for residence halls. Ms. Metcalf answered it did not but that it is possible to calculate the number. However, she noted residence halls tend not to be included in the deferred maintenance studies since the State is not required to support those buildings. They are typically funded through residence fees. Mr. Workman asked if there were any other state facilities that did not receive State support and were self-supporting. Ms. Metcalf answered that facilities at the technical colleges, for the most part, are funded through local funds. She noted Denmark Technical College and Technical College of the Lowcountry are exempted from that as they are funded by the State per law. Ms. Metcalf noted technical colleges do participate in State bonds for capital projects, but they must provide 20 percent of the funds for new construction from local funds. Mr. Workman asked if athletic facilities were eligible for state bond funds. Ms. Metcalf answered that as auxiliaries, they were not. She further stated that facilities such as bookstores and cafeterias were considered auxiliary buildings and were not eligible for state funds for deferred maintenance.

Mr. Workman stated that it appeared that institutions did a better job of maintaining auxiliary facilities themselves based upon the source of funds. Ms. Metcalf noted that if there was a stable methodology used to provide funding for the institutions in which the amount appropriated each year remained consistent, facilities would be better maintained and deferred maintenance would decrease on most campuses. Mr. Konduros asked if there was a list of all deferred maintenance needs including E&G and auxiliaries. Ms. Metcalf noted that Commission did at one time prepare a report that included both. However, she noted that since the State only funds E&G buildings, the Commission did not feel the need to update deferred maintenance numbers on auxiliaries. Ms. Metcalf noted that as part of the Commission's budget request, steady operating funds would eventually eliminate deferred maintenance on educational and general (E&G) facilities.

A discussion continued about the various source of funds used by institutions to fund their facilities and control deferred maintenance. Mr. Workman stated that fees and auxiliaries do matter as they reflect the overall cost of attendance. Mr. Ravenel noted that if money could be saved in construction costs, it could perhaps be used in other areas of the education.

- b. Winthrop University
 Boiler Plant Mechan. Renov.
 & Construction \$ 1,000,000 -establish project

Mr. Ravenel asked for an explanation of what is considered “other funds.” Ms. Metcalf answered the funds could be Institutional Capital Project Funds (ICPF), student fees, or excess debt service. Mr. Hardin answered the project is being funded by ICPF and a State Energy Office loan. Ms. Metcalf explained the State Energy Office has both a grant program and a low interest loan program for institutions that can make improvements to their energy systems to make them more efficient. Institutions receive funds to make repairs and increase efficiency. It was noted that Winthrop has repeatedly participated in the program.

- c. Denmark TC
 Living and Learning Center \$ 4,824,292 -establish project

- d. Trident TC
 Building 950 Renovation \$ 1,500,000 -increase budget

Ms. Metcalf noted the Trident project was an economic development project which would reduce deferred maintenance at the College. Mr. Ludlow explained Daimler-Chrysler would be opening a plant in Charleston. The College has been asked to provide employee training through the State Board for Technical and Comprehensive Education’s Center for Accelerated Technology Training (CATT). Mr. Sanders asked if the training would be continuous. Mr. Ludlow stated the training needs would wane, but he also noted the CATT program was being reworked in order to find a use for the building after the training programs are no longer needed. Mr. Sanders asked if there were any land acquisition costs, and Mr. Ludlow answered no.

- e. York TC
 Waterford Training Center \$ 2,700,000 -establish project

Ms. Byerly asked Ms. Metcalf and Mr. LeGrande to speak about the project. Ms. Metcalf noted there would be no state funds involved in the construction or operation of this facility. Mr. LeGrande stated 3D Systems Inc. was moving to York. County. Mr. LeGrande explained the project and noted that the company would be hiring employees locally at an average salary of \$80,000. Mr. LeGrande provided further specific explanations of what the company does. He stated the College would supply the training center with some existing instructors but no new instructors would be hired by the College. Mr. LeGrande noted the building could be utilized by other businesses in the area or even sold by the College if 3D ceased to operate the facility.

- Chester Technology Center-Phase 1 \$ 3,497,567 -increase budget

Ms. Metcalf provided additional information about the project. She noted that Chester County needs training centers because there is little economic development in the area. She also noted the project has received funding from a State bond bill and from specific state appropriations. Mr. LeGrande provided the committee with additional statistical information.

Mr. Workman questioned the high per-square foot costs of the building. Mr. LeGrande answered that the building was being designed as a LEED (Leadership in Energy and Environmental Design) building with unique systems that would make the building more energy efficient.

Mr. Workman requested a copy of the life-cycle savings information. Mr. Sanders stated that previous LEED buildings did not prove to be financially beneficial in the end. He further questioned if their money would be better utilized somewhere else at the institution.

Mr. Workman requested to table consideration of this project pending receipt of additional information. Mr. LeGrande agreed to meet with Mr. Workman and Mr. Sanders to answer their questions, and to provide the additional information. The committee decided to meet briefly to reconsider the project prior to the Commission meeting on February 2.

It was moved (Workman), seconded (Sanders), and voted to approve the first six projects.

III. Leases

Medical University of South Carolina 30 Bee Street	\$ 199,168	-lease renewal
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Mr. Forbes asked about the cost per square foot. Mr. Malmrose answered the average per square foot for Charleston is \$25. Ms. Byerly noted the Budget & Control Board approves the terms and conditions for all leases. Mr. Shawver stated the standards are based upon a market search.

Fishburne Street Parking Spaces	\$ 253,159	-lease renewal
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Mr. Sanders asked if employees and students were charged a fee to use the parking lot. Mr. Malmrose answered that employees were charged \$55 a month, but he did not know the exact charge for students. It was noted that parking facilities must be self-supporting.

It was moved (Ravenel), seconded (Sanders), and voted to approve the two leases.

IV. Information Item

TC of the Lowcountry
Sale of Property, 2450 Fripp Street, Beaufort

Ms. Metcalf noted the Commission had no authority over sales made by institutions. She noted the funds generated by the sale of the property were being used to address deferred maintenance needs at the campus.

V. Report on CHE's Legislative Authority for Capital Improvement Projects and Report on the Approval Process for Capital Improvement Request

Ms. Metcalf reviewed the Commission's legislative authority and responsibilities for capital improvement projects. Mr. Shawver provided information about the Comprehensive Permanent Improvement Plan (CPIP). A discussion occurred between Mr. Shawver and committee members about the evolution of facilities problems and the lack of fiscal resources. It was noted solutions must be developed in cooperation with the institutions.

Dr. McCurdy asked how often capital projects were acted upon. Mr. Shawver provided information about the approval process. The discussion progressed to the issue of State Capital Improvement Bonds. Mr. Shawver noted the problems of the 2000 bond bill which funded a

small amount to 20 projects rather than completely funding a few projects. Discussion also included the number of campus locations across the state and the rate of student enrollment.

Ms. Metcalf explained that in year two of the CPIP, institutions must present their projects in order of institutional priority. She noted CHE does not require use of institutional priorities when prioritizing its recommendation list for the General Assembly, but that the CPIP requires all institutions to submit their projects in institutional priority order. Discussion turned to the difficulties faced by institutional facilities managers, and it also noted the productive cooperation of the managers who prepared the capital project prioritizing standards adopted by the Commission in July 2005.

A discussion occurred about the possibility of a single bond bill to address only higher education facilities. Questions arose about whether or not the bill would fix deferred maintenance problems and force better management. The allocation method was also questioned. The discussion turned to who had the authority to close campuses and institutions.

VI. Other Business

In reference to the monthly list of CHE staff approvals, Mr. Forbes asked about staff approval of the increase on the USC-Aiken Convocation Center. Ms. Metcalf explained staff has the authority to approve project requests for increase in budgets up to and including \$500,000 or 10 percent of the project's total budget. This project was less than 10 percent of the total budget.

A news article on the USC Law School Building was provided for information. Ms. Byerly asked if USC had decided on the disposition of the old building once the new facility was completed. Mr. Bragdon stated he did not know the specific plans for the building after completion of the new facility. Mr. Shawver stated the institutional representatives at the meeting do not make the future plans regarding the facilities.

Ms. Byerly thanked the committee members for their work in preparing for the meeting. She also noted her idea to plan a committee retreat in order to discuss several important issues. Ms. Byerly also thanked the institutional representatives for their work.

Ms. Byerly suggested the last Agenda Item, a staff report on scoring and prioritizing capital improvement bond requests, be held until the next meeting.

Ms. Byerly asked Dr. Festa to speak about his meeting with the House Ways & Means subcommittee regarding the budget request. Dr. Festa stated he felt good about the meeting. He noted only the short-term funding goals of the Commission were presented to the House subcommittee. Dr. Festa stated the agency needs funds for personnel, program review, and SREB membership fees. He continued to state the institutions' needs for more operating funds. Dr. Festa stressed the need for statewide higher education initiatives rather than individual institutions pursuing their own activities. Dr. Festa discussed the problems of funding higher education in the state, as well as the parity issue. A discussion occurred about the importance of a more highly educated State population. There was further discussion about ways to reduce costs. Dr. Festa stated the presidents and institutions needed to be given more autonomy to manage their fees and budgets. He concluded his remarks by encouraging the committee members to talk to their legislative members regarding the budget.

With no further business, the meeting was adjourned at 12:15 p.m.

Addendum

Minutes from the February 2, 2006 Meeting

Committee Members Present

Ms. Rosemary Byerly
Dr. Doug Forbes
Mr. Jim Konduros
Mr. Dan Ravenel
Mr. Jim Sanders
Mr. Neal Workman
Mr. Larry Durham

Staff Present

Ms. Julie Carullo
Mr. Gary Glenn
Ms. Alyson Goff
Dr. Lynn Kelly
Ms. Lynn Metcalf
Ms. Jan Stewart

Guests Present

Mr. David LeGrande
Mr. John Malmrose

Ms. Byerly called the meeting to order at 10:10 a.m.

At the January 19th meeting, York Technical College's Chester Technology Center project was tabled pending additional information. The Committee reconsidered the project at the February 2 meeting.

It was moved (Workman), seconded (Sanders), and voted to approve the project as presented.

Ms. Byerly introduced a Committee recommendation to address the Committee's concerns about the absence of statewide policies concerning construction costs, comparative cost benefits, and life cycle costs. Ms. Byerly noted the recommendation was written by Mr. Sanders and Mr. Workman. A discussion occurred regarding CHE's legislative authority in approving projects. Mr. Sanders and Mr. Workman stated they wanted the appropriate State agencies to consider the life cycle costs of proposed projects. A discussion also occurred regarding the length of the approval process for projects.

It was moved (Durham), seconded (Forbes), and voted to approve the recommendation.

As a note, the recommendation was presented to the Commission on February 2 and adopted.

With no further business, the meeting was adjourned at 10:40 a.m.

Respectfully submitted,

Alyson M. Goff
Recorder

*Attachments are not included in this mailing, but will be filed with the permanent record of these minutes and are available for review upon request.
Recommendation