



Dr. Gail Morrison
Interim Executive Director

MEMORANDUM

DATE: February 7, 2007
TO: Facilities Advisory Committee
FROM: Ms. Lynn Metcalf, Director of Finance, Facilities, & MIS
SUBJECT: Facilities Advisory Committee Meeting

The Facilities Advisory Committee will meet on Tuesday, February 13 at 10:30 a.m. in the Commission's Main Conference Room. An agenda and meeting materials are attached.

If you have any questions, please do not hesitate to contact me at (803) 737-2265.

AGENDA
FACILITIES ADVISORY COMMITTEE
FEBRUARY 13, 2007
10:30 A.M.
MAIN CONFERENCE ROOM
COMMISSION ON HIGHER EDUCATION
1333 MAIN STREET, SUITE 200
COLUMBIA, SC 29201

1. Introduction
2. Approval of Minutes from October 24, 2006
3. Recommendations of Subcommittee to Develop Parameters for Institutional Deferred Maintenance Plans
4. Recommendations of Subcommittee to Review Criteria for Scoring and Prioritizing Capital Improvement Bond (CIB) Requests
5. Other Business
 - a. Next Scheduled Meeting – October 13, 2007 at 10:30 a.m.

MINUTES

SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION
FACILITIES ADVISORY COMMITTEE
OCTOBER 24, 2006
10:30 A.M.
CHE CONFERENCE ROOM

Committee Members Present

Ms. Lynn Metcalf, *Chair*
Col. Don Tomasik, *The Citadel*
Mr. Bob Wells, *Clemson*
Ms. Sandy Williams, *Coastal Carolina*
Ms. Monica Scott, *College of Charleston*
Mr. Ralph Davis, *Francis Marion*
Mr. Jeff Beaver, *Lander*
Mr. John Malmrose, *MUSC*
Mr. Charles Jeffcoat, *USC Columbia*
Mr. Tony Ateca, *USC Aiken*
Mr. Rick Puncke, *USC Upstate*
Ms. Kay Kline, *Winthrop*
Mr. Bruce Blumberg, *USC Sumter*
Ms. Judy Hrinda, *SBTCE*

Mr. Dennis Rogers, *Aiken TC*
Mr. Tuck Hanna, *Greenville TC*
Mr. Dale Wilson, *Piedmont TC*

Guests

Ms. Beth McInnis
Ms. Linda Lyerly
Ms. Brenda Cox
Ms. Amy Pierson
Mr. Charles Shawver

CHE Staff

Ms. Julie Carullo
Mr. Gary Glenn
Ms. Alyson Goff

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

Ms. Metcalf called the meeting to order at 10:30 a.m. She welcomed everyone to the meeting and asked the Advisory Committee members to introduce themselves.

I. Approval of Minutes from February 14, 2006 Meeting

Since there were no additions or corrections to the Minutes of the meeting on February 14, the Minutes were approved as written.

II. Informational Summary of the CHE Recommendations to Review the Higher Education Facilities Approval Process

Ms. Metcalf provided the Advisory Committee members with the CHE staff action plan related to recommendations adopted by the Commission in August 2006 for improving the facilities approval process. She has scheduled a November meeting to discuss necessary legal changes with the Budget & Control Board staff.

In regard to Recommendation 2, Mr. Wells proposed including renovations that do not exceed 50 percent of the replacement cost. A discussion ensued in regarding the recommendation.

Col. Tomasik proposed including demolition and hazardous abatement in projects that do not require approval from the CHE, Joint Bond Review Committee (JBRC), and the Budget & Control Board. The Committee agreed with the recommendation noting written approval from the State Engineer would still be required to demolish a building.

It was decided to use the existing CHE policy for routine repair, replacement, and maintenance as the basis for making changes to the related statute. The changes include:

- All projects will have the following precursor: “Projects will not exceed 50 percent of the replacement cost as reported by the Budget & Control Board.”
- Subsection C: Delete “without major reconfiguration of interior space”
- Subsection E: Delete “major building use change”
- Subsection G: Add “roads and parking lots” to parenthetical list
- Add: “Demolition of facilities under 40,000 square feet
- Add: “Hazardous material abatement

Col. Tomasik asked Ms. Metcalf what were the concerns of the CHE Facilities & Finance Committee. Ms. Metcalf answered the Committee was concerned about the overall time it takes to complete projects.

In regard to Recommendation 3, Mr. Malmrose proposed deleting “state-level” and replacing with “approval of CHE, JBRC, and the Budget & Control Board.” He stated institutions would still need the approval of the State Engineer to proceed with bidding projects. The Committee discussed revising the statute to allow architectural and engineering work and up to and including design development without establishing a project.

Ms. Metcalf stated she would make the discussed revisions to Recommendation 2 & 3 and email the Committee for their review.

In regard to Recommendation 4, Ms. Metcalf stated the CHE staff will continue working with the recommendation, but she noted the election outcome would predicate the next action.

Ms. Metcalf asked Mr. Malmrose to chair an ad-hoc committee to develop parameters in which institutions would establish deferred maintenance plans. Col. Tomasik, Mr. Rogers, and Mr. Jeffcoat agreed to serve on the committee. Ms. Metcalf asked Mr. Malmrose to bring recommendations to the Committee at its next meeting in February 2007.

Ms. Metcalf stated the Commission wants to see that institutions are investing in their facilities and common parameters included in a plan would be a good approach. Mr. Jeffcoat noted if Recommendation 2 was approved, then Recommendation 5 would not be a major issue as long as institutions were using their own funds for the repairs.

In regard to Recommendation 6, Ms. Metcalf asked the institutions to provide data to support the request for easier access to using alternative construction delivery methods. Ms. Scott stated she

had a few examples with recently-bid projects. Mr. Shawver noted the State Engineer has a system in place to allow alternative methods, but some Committee members believed it was too complicated.

It was noted there was a pending legal case concerning recent changes to the State Procurement Code. Ms. Metcalf stated the CHE staff would delay action on Recommendation 6 until the case was settled.

Mr. Malmrose stated he would prefer the group encourage the State Engineer to develop forms for Construction Management At-Risk. Ms. Metcalf stated she would continue to work with the State Engineer.

III. Review Capital Improvement Bond (CIB) Request Prioritization Criteria

Ms. Goff reviewed the capital funding goals, criteria, and evaluation method with the Committee members. She noted measures generally needing improvement which were highlighted in the meeting materials.

There was some discussion of the reality of a bond bill in the upcoming budget for FY2007-08. Ms. Metcalf stated CHE hoped the projects on the priority list submitted to the Legislature would be funded. She also noted CHE prioritized the CIB funding requests because it had statutory authority and responsibility to do so.

Mr. Rogers stated he was concerned with the way in which the criteria were being used in relation to the intended goals of the ad-hoc group which developed the criteria. He requested an ad-hoc committee review the evaluation measures to ensure institutional facilities officers were interpreting the criteria in the same manner. Ms. Metcalf agreed it would be a good idea.

Mr. Rogers asked Mr. Malmrose and Mr. Walter Hardin (by way of his proxy, Ms. Cline) to serve on the committee. Ms. Metcalf asked that any recommendations be presented to the Committee at its next meeting in February.

IV. Building Condition Survey – 2007 Update

Ms. Metcalf noted the staff would be sending building condition survey forms to the institutions in March 2007. She stated the survey was completed every three years in order to update the building condition codes submitted to the CHE Management Information System (CHEMIS).

V. New Submission Procedure for CHE Approvals

Ms. Metcalf explained the new procedure for receiving approval on interim capital projects that require the approval of the Finance & Facilities Committee and the full Commission. She noted the change was necessary to comply with CHE by-laws.

Some institutional representatives expressed concern the new submission procedure would extend the approval timeline.

VI. Other Business

Ms. Metcalf provided a copy of the final report from the Governor's Task Force on Higher Education.

The next meeting of the Facilities Advisory Committee was scheduled for Tuesday, February 13, 2007.

With no further business, the meeting was adjourned at 12:10 p.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.*

Recommendations of Subcommittee to Develop Parameters for Institutional Educational & General (E&G) Deferred Maintenance Plans

As part of the Commission’s recommendations to improve the facilities approval process, a subcommittee was formed to develop parameters within which institutions would establish plans to address deferred maintenance. The subcommittee, chaired by John Malmrose, proposed a method in which institutions will calculate the amount needed to maintain E&G facilities and the amount needed to eliminate deferred maintenance. CHE staff used those proposed parameters to develop a policy for the plans.

The policy and calculation method for E&G facilities and external infrastructure are below. As a note, the policy language is drafted from the perspective of the Commission for use in a policies and procedures manual.

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INSTITUTIONAL DEFERRED MAINTENANCE PLANS FOR EDUCATIONAL & GENERAL FACILITIES

The Commission on Higher Education (CHE), recognizing the magnitude of deferred maintenance for educational and general (E&G) facilities at some public institutions of higher learning, has adopted a policy which requires institutions to submit an annual plan designed to bring maintenance needs to an acceptable level. The plans will allow CHE to ensure institutions are adequately addressing the maintenance needs of their campuses. Also, the plans will provide interested stakeholders with an understanding of the varying needs on each campus regarding this issue.

CHE staff, in consultation with institution facilities officers, has developed parameters for addressing E&G deferred maintenance. Plans are to be submitted to the Commission for approval by the first of July each year. The following definitions, calculation methods, and elements will be included in the plans:

❖ **DEFINITIONS**

- “Deferred maintenance” is defined as project-level maintenance that should have been performed but has been postponed until adequate funding is available. This includes equipment or systems that have exceeded their expected service life and equipment or systems that are not performing at an acceptable level even if that condition has occurred prior to the normally-accepted projected service life.
- “Acceptable level” is defined as like-new condition with a building condition code of 90-100 on the CHE Management Information System (CHEMIS) Building Data Summary.

❖ **CALCULATION METHOD**

➤ **E&G BUILDINGS**

1. Use CHEMIS building replacement cost (RCB) and building condition code (BCC)*
2. To Bring to Like-New Condition = ((100-BCC) x .01) x RCB

3. Annual Investment Required to Maintain (APPA Average) = $RCB \times .03$
4. Acceptable Amount of Deferred Maintenance (APPA Standard) = $(RCB \times .10) -$
Annual Investment Required
5. Magnitude of Deferred Maintenance = Like-New Condition – $(RCB \times .0333)$
6. Deferred Maintenance to Eliminate = Magnitude – Acceptable Deferred Maintenance
7. Additional Funding Per Year = $\text{Deferred Maintenance to Eliminate} / \# \text{ of years in plan}$
8. Total Needed Per Year to Maintain Existing & Eliminate Deferred Maintenance =
Annual Investment Required + Additional Funding Per Year

*Institutions are responsible for updating these data elements annually.

➤ EXTERNAL INFRASTRUCTURE

1. The replacement cost of infrastructure external to the facility is not readily available to CHE. Institutions will provide this information as well as the amount necessary to bring the infrastructure to like-new condition.
2. The calculation for external infrastructure is consistent with that used for E&G buildings. (Note: The building condition code is not used in this calculation.)

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❖ KEY ELEMENTS OF A PLAN TO ADDRESS E&G DEFERRED MAINTENANCE

1. The following general information should be provided: name of institution, name of contact person (for questions related to the plan), the years covered in the plan, and date submitted.
2. The amount needed per year to maintain existing E&G facilities, eliminate deferred maintenance, and to address external infrastructure needs of the institution. This will be based on the calculation methods described above. Institutions will determine the length of their plans.
3. The major functions of the facilities being addressed in the plan (i.e. academic, administration, student services, library, etc.).
4. The potential external influences to consider when implementing this plan. (For example, historic buildings on the national register, city or county ordinances, etc.) How does the institution plan to work within these external mandates?
5. For buildings with a condition code of 50 or below, explain the major system problems. Why does the facility have a low condition code?
6. Any life/safety issues, citations and/or warnings, and compliance issues (air, ADA, etc.) that are present in the facilities included in the plan.
7. The process the institution used in estimating the replacement cost for external infrastructure.
8. The process the institution used in estimating the cost for bringing external infrastructure to like-new condition.
9. The institution's top three to five priorities for the first year of the plan and the rationale for their selection.
10. Any additional information as necessary.

Recommended Calculation for E&G Deferred Maintenance Plans

E&G Facilities

	<u>CHEMIS RCB</u>	<u>CHEMIS Bldg. Condition Code^{1,2}</u>	<u>Amount to Bring to Like-New Condition</u>	<u>Annual Investment Required to Maintain (APPA Avg. 3%)</u>	<u>Acceptable Amount of Deferred Maintenance (APPA Std.)</u>	<u>Magnitude of Deferred Maintenance (Assume 30 yrs.)³</u>	<u>Deferred Maintenance to Eliminate</u>	<u>Additional Funding Per Year to Eliminate in # of Yrs.</u>	<u>Total Need Per Yr. to Maintain & Eliminate Deferred Maintenance</u>
<i>Institution A</i>				RCB * (APPA Avg)	10% of RCB - Col. 4	Col. 3 - (Col 1* 3.33%)	Col. 6 - Col. 5	10 (+Col. 7 /# Yrs)	(Col. 4 + Col 8)
E&G Buildings	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
Building 1	\$6,981,183	70	\$2,094,355	\$209,435	\$488,683	\$1,861,882	\$1,373,199	\$137,320	\$346,755
Building 2	\$4,615,932	79	\$969,346	\$138,478	\$323,115	\$815,635	\$492,520	\$49,252	\$187,730
Building 3	\$360,227	99	\$3,602	\$10,807	\$25,216	\$0	\$0	\$0	\$10,807
	\$11,957,342		\$3,067,303	\$358,720	\$837,014	\$2,677,517	\$1,865,719	\$186,572	\$545,292

Infrastructure

	<u>Estimated Replacement Cost⁴</u>	<u>CHEMIS Bldg. Condition Code^{1,2}</u>	<u>Amount to Bring to Like-New Condition</u>	<u>Annual Investment Required to Maintain (APPA Avg. 3%)</u>	<u>Acceptable Amount of Deferred Maintenance (APPA Std.)</u>	<u>Magnitude of Deferred Maintenance (Assume 30 yrs.)³</u>	<u>Deferred Maintenance to Eliminate</u>	<u>Additional Funding Per Year to Eliminate in # of Yrs.</u>	<u>Total Need Per Yr. to Maintain & Eliminate Deferred Maintenance</u>
<i>Institution B</i>				RC * (APPA Avg)	10% of RC - Col. 4	Col. 3 - (Col 1* 3.33%)	Col. 6 - Col. 5	10 (Col. 7 /#Yrs)	(Col. 4 + Col. 78)
External Infrastructure	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
Example 1	\$19,476,240	N/A	\$10,000,000	\$584,287	\$1,363,337	\$9,351,441	\$7,988,104	\$798,810	\$1,383,098
Example 2	\$5,250,739	N/A	\$969,346	\$157,522	\$367,552	\$794,496	\$426,945	\$42,694	\$200,217
Example 3	\$475,000	N/A	\$3,602	\$14,250	\$33,250	\$0	\$0	\$0	\$14,250
	\$25,201,979		\$10,972,948	\$756,059	\$1,764,139	\$10,145,938	\$8,415,049	\$841,505	\$1,597,564

Notes

¹Building Condition Code, as reported to CHEMIS, is the inverse of the Facilities Index Code.

²Building infrastructure is included in the RCB and condition code.

³All facilities are assumed to have a useful life of 30 years.

⁴Infrastructure external to the building is not available to CHE. Institutions must provide this information.

Recommendations of Subcommittee to Review Application of Criteria for Scoring and Prioritizing Capital Improvement Bond Requests

At the October 2006 Facilities Advisory Committee meeting, concern was voiced about the current method by which the criteria are applied to score and prioritize requests for Capital Improvement Bond (CIB) requests. A subcommittee, chaired by Dennis Rogers, reviewed and examined the current method. The subcommittee agreed to maintain the objectiveness of the application to ensure the validity and fairness of the process.

The excerpted criteria are listed first with the subcommittee's recommendation following.

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SECTION I – RELATED STANDARDS

- ❖ **STANDARD 1.** The degree to which the proposed project is critical and central to the institution's approved mission. (up to 24 points)

➤ **EVALUATION**

- a. Evaluated against approved mission statement augmented by institution data if available.

- ❖ **STANDARD 2.** The degree to which the proposed project's ultimate outputs (e.g., degrees awarded by discipline, number of graduates, type and volume of research, etc.) are adding critical capacity and functionality to address defined state needs. (up to 24 points)

➤ **EVALUATION**

- a. Academic space per FTE and/or Sq Ft of research space per research \$ expended, augmented by institutional data if available.
 - i. Equal to or under standard plus confirming documentation = 24
 - ii. Equal to or under standard but no confirming documentation = 20
 - iii. Over standard plus confirming documentation = 20
 - iv. Deferred Maintenance, multiple buildings = 12
 - v. Over standard but no documentation or documentation N/A = 0

RECOMMENDATION: To carry forward with these standards for FY2008-09 CIB requests (Year 2 of 2007 CPIP). The subcommittee will develop a proposal for the Facilities Advisory Committee to review at its October 2007 meeting. If changes are adopted, the revisions will be used in scoring and prioritizing requests for FY2009-10 (Year 2 of 2008 CPIP).

SECTION II – RATING CRITERIA

❖ HEALTH & SAFETY (up to 25 points)

1. **The degree to which an existing condition can be documented to be unsafe and unhealthy for human well being. (up to 10 points)**

➤ **EVALUATION**

- a. Verified by external study or institutional evaluation:
 - i. Air quality issues or code issues ~~accepted previously~~ (no external study) = ~~5~~ 4
 - ii. Air quality or other code issues (external study ~~or certified individual~~) = 6
 - iii. Citations for air quality, serious code issues or serious life safety issues (~~external study~~) = ~~8.34~~* 4

**(to qualify for points in 2 & 3 below, institution must receive maximum here)
The maximum amount of points is 10.*

2. **The appropriateness of the proposed solution to the defined health or safety issue.**

➤ **EVALUATION**

- a. Direct institutional verification or in CPIP (~~only if maximum points in 1a~~) = ~~8.33~~ 7.5

3. **The degree that the institution's and the State's well being would be adversely impacted through discontinuance of activities if the defined health and safety issues are not addressed.**

➤ **EVALUATION**

- a. Information from CPIP, studies on file at CHE, and institutional documentation if provided (~~only if maximum points in 1a~~)
 - i. Institutional verification that activities could not be conducted in alternate facilities so as to require discontinuance/or deferred maintenance = ~~8.33~~ 7.5

RECOMMENDATION: The recommendations are noted in red. It was stated the inability of an institution to receive any points beyond six (available through #1.ii) was not appropriate as an institution would have to receive a citation to receive points in #2 and #3.

It was proposed to allow a maximum of 10 points in #1 with the following breakdown:

- i. Four points for institutional justification of air quality issues and/or code issues
- ii. Six points for external review or a certified individual's review to justify the air quality issues or other code issues
- iii. Four points for citations for air quality, serious code issues, or serious life safety issues

Points for #2 and #3 were adjusted to allow for the change in #1.

❖ **DEFERRED MAINTENANCE** (up to 25 points)

2. The degree to which the institution's expenditures for building maintenance compare with the amount generated for building maintenance in the MRR (according to the percent funded) using a rolling average for the most recent three-year period.

➤ **EVALUATION**

- a. Institutions report amount expended for routine maintenance (from any source) for E&G Buildings. Data will be compared with the amounts generated by MRR (at the percent funded) and averaged for the most recent three-year period.
 - i. Expenditure for E&G maintenance equal to or greater than MRR estimates = 12.5
 - ii. Expenditure not reported but data for estimate available to CHE = 12.5
 - iii. Expenditure less than MRR estimate or not reported and estimate not available = 0

RECOMMENDATION: An institution's building maintenance expenditures will be compared to the three-year rolling average of the amount generated for building maintenance in the MRR according to the percent funded for the institution rather than deferring to the state average.

For example, the MRR generated \$1,000 for building maintenance in FY2004-05, \$1,250 in FY2005-06, and \$1,700 in FY2006-07. The three-year rolling average of MRR generated funding for building maintenance is \$1,333 for Institution A. During that same three-year period, the MRR was funded at 50 percent, 55 percent, and 65 percent for Institution A. The three-year rolling average of the MRR percent funded is 57 percent. If Institution A expended more than \$760 ($\$1,333 \times .57$) for building maintenance, the institution would receive the maximum points in this area.

As a note, the Deferred Maintenance section is worth a total of 25 points. There are two subsections each worth 12.5 points. Subsection 1 is not listed here.