

Executive Summary

USC Columbia – Renovation Project Proposal

The renovation of the former law center building into a new academic teaching center for undergraduate labs and other future academic space that was approved by the USC Board of Trustees on April 21, 2017. In their current Master Plan, an 100,000 academic square footage shortfall was forecasted by 2014, and this renovation project by adding 103,000 academic square feet will address this realized shortfall. During the planning stage of this project, USC Columbia determined that renovating the existing building provided 90,000 additional square footage for future academic purposes versus constructing a new building. A new Master Plan is being prepared and is scheduled for completion by December 2017.

USC Columbia has \$96 million in maintenance reserves. However, deferred maintenance for the campus is \$189.2 million, a total reserve deficit of \$93.2 million. Although, the maintenance reserve does not fully fund the deferred maintenance balance, the university has increased Operation & Maintenance of Plant expenses by 12.1% each year over the past ten years, totaling \$88.1 million in fiscal year (FY) 2016. The change in net position has averaged \$59 million of positive change over the past ten years that demonstrates USC Columbia has the ability to adequately reserve for maintenance.

Enrollment is a driving factor in supporting the justification for this project. Over the past ten years, undergraduate enrollment has increased at an average rate of 3.2% and in the past five years at a rate of 2.1%. Total undergraduate enrollment in FY 2016 was 25,556. Currently, 40% of the USC Columbia undergraduate students take a science lab. The additional 17 labs that will be constructed less 3 labs that will be closed will net 14 new labs. The current lab capacity is 29 students per lab and the standard lab capacity rate is 19-20 students. The additional labs will be supported by the current capacity backlog coupled with the controlled student enrollment growth.

USC Columbia debt capacity is adequate to take on this additional debt. The university will invest \$3.5 million in the renovation with the remaining balance of \$43.5 million being financed with state institutional bonds (SIB). If the bond bill is passed, \$25 million of this project will be paid with bond bill funding and the remaining balance of \$18.5 million will be financed by SIBs. In the worst case scenario, the university has adequate annual debt capacity prior to this issuance of \$10.2 million. The issuance of \$43.5 million will create an estimated annual debt service of \$3 million.

Budget to actual expenses were consistently unfavorable for nine of the past ten years. Actual revenues exceeded budgeted revenues in eight of the past ten years sufficiently to offset the increased expenses. However, there is a concern about the overall budget approach that consistently understates budgeted expenses.

The overall risk assessment for USC Columbia is moderately low. Total deferred maintenance and the budget to actual expense results are a concern. However, these risk factors are adequately offset by the consistent favorable financial outcomes over the past ten years.

Capital Project Risk Analysis

Institution: USC Columbia

Capital Project: Classroom/Laboratory Redevelopment

Date Received: April 6, 2017

Risk: Maintenance

How does the institution budget for annual routine maintenance?

USC Columbia has a sizeable maintenance reserve totaling \$96 million and expensed \$88.1 million in FY2016. However, this campus has a deferred maintenance balance totaling \$189.2 million. Based on the change in net position results over the past ten years, USC Columbia has the financial resources to adequately reserve for deferred maintenance coupled with their conscious effort to build a reserve balance.

Maintenance Risk Assessment: Moderately Low Risk

Risk: Source of Funds

Readily available and traceable?

The source of funding consists of \$3.5 million capital reserves and 43.5 million state institution bonds (SIB). If a bond bill passes, the SIB portion would be 18.5 million while the bond bill would pay \$25 million. The most likely scenario is financing \$43.5 million with a SIB. Currently, USC Columbia has adequate debt capacity to take on this debt. The total debt service for this project is estimated to be \$3 million over the 20-year bond term. Their current annual debt service capacity is \$10.2 million. Total available debt is approximately \$153 million with 28% of total debt or \$43.5 million being used for this renovation project. If current interest rates remain unchanged, that would leave \$109.5 million in available debt after this project is financed.

Athletic debt is \$189,955,000 with an available athletic debt capacity of \$200 million.

Total debt capacity before this bond is \$163 million and after the bond is \$119.5 million.

Effect on student affordability?

Tuition is a source of funding as it should be for the construction of an academic building. There is no need to increase tuition to fund the incurred debt service for this project based on Change in Net Position and Enrollment trends. The risk of Tuition revenue decreasing due to a drop in enrollment appears minimal based on the 10-year trend of 3.3% average annual increase in enrollment and an 6% Net Tuition Revenue increase over the same period.

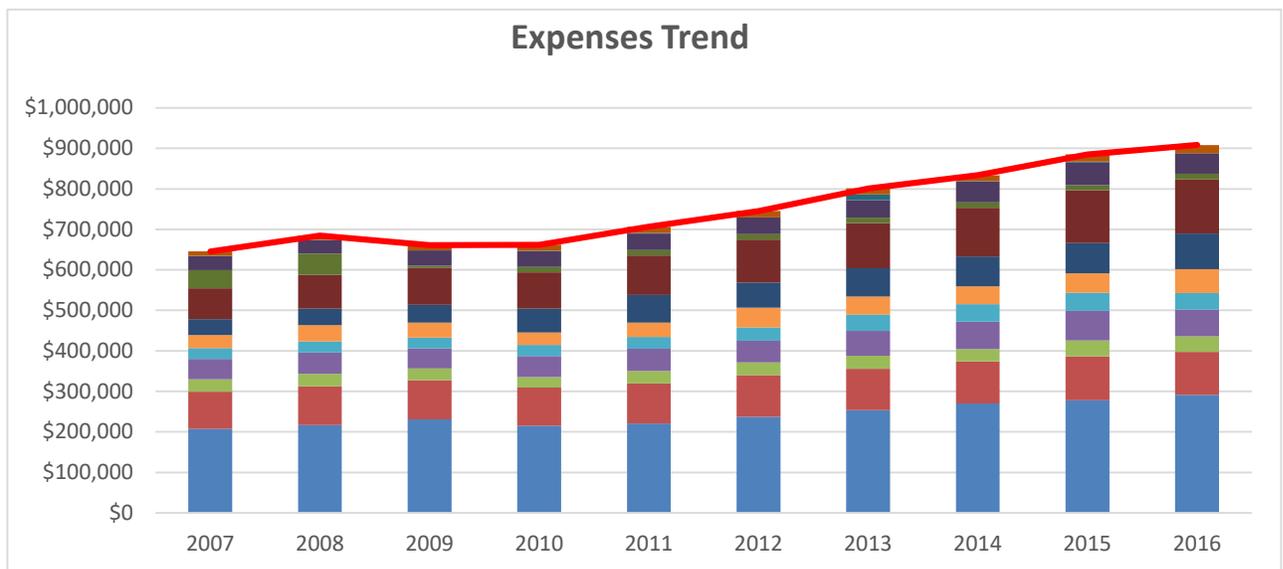
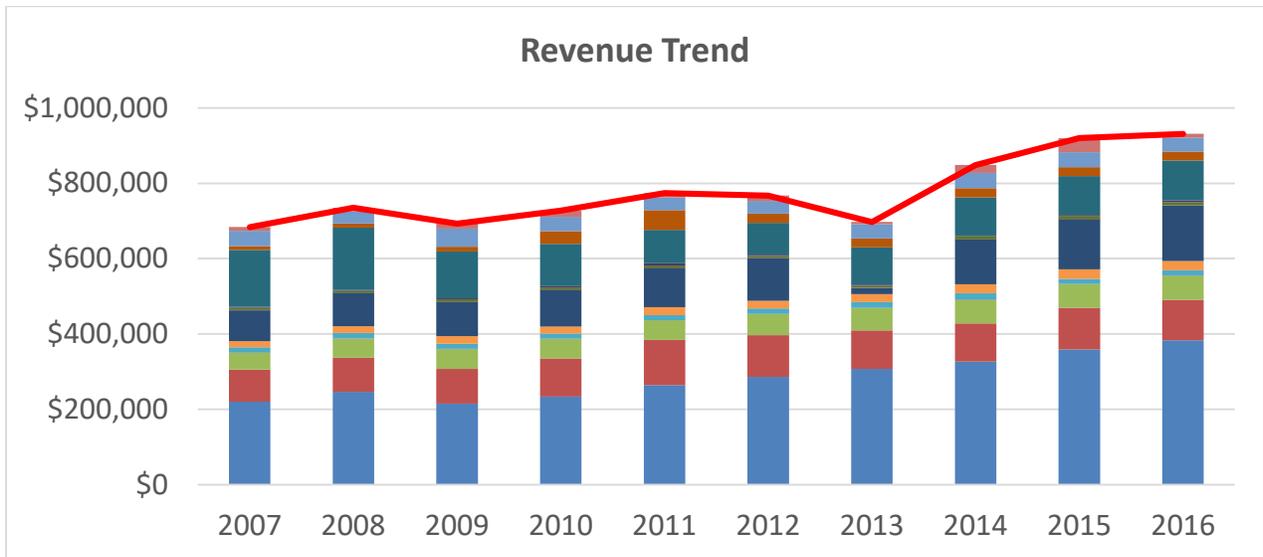
Source of Funds Risk Assessment: Low Risk

Risk: Financial Stability

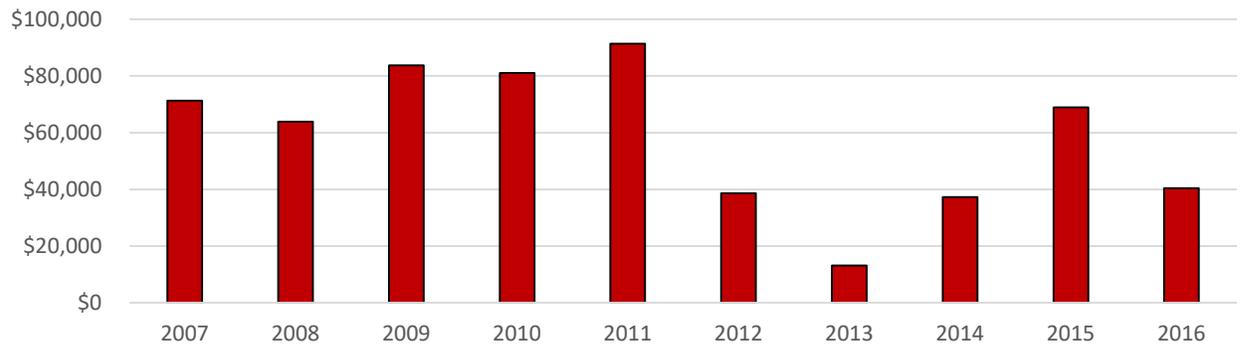
USC Columbia has consistently shown over the ten-year period from FY 2007 to FY 2016 that their institution is financially stable. There are favorable trends related to increasing Revenue that consistently exceeded increasing Expenses, E&G Change in Net Position that has been positive each of the past ten years.

Financial Stability Risk Assessment: Low Risk

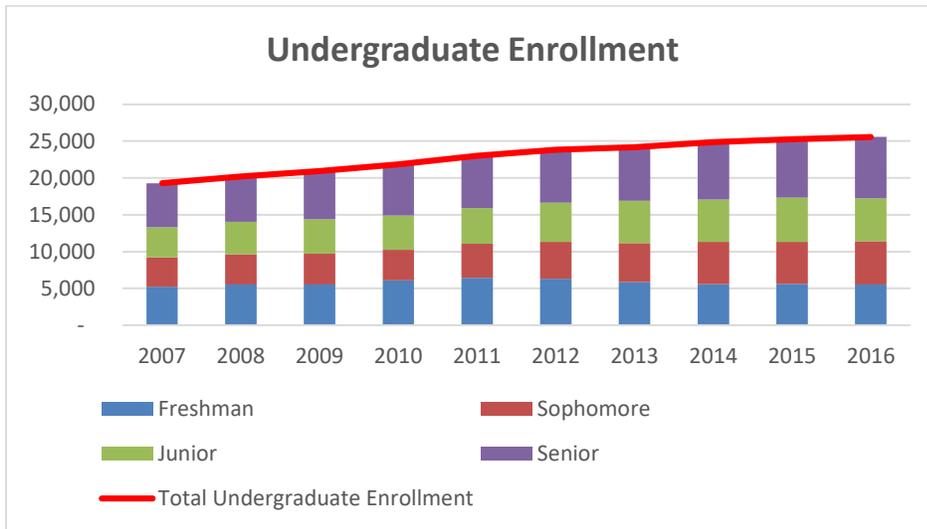
Revenue has consistently exceeded Expenses in each of the past ten years. This is more easily observed in the Change of Net Position graphic where there has been a positive change each of the ten years that demonstrate sustained fiscal strength and the ability to build adequate maintenance reserves.



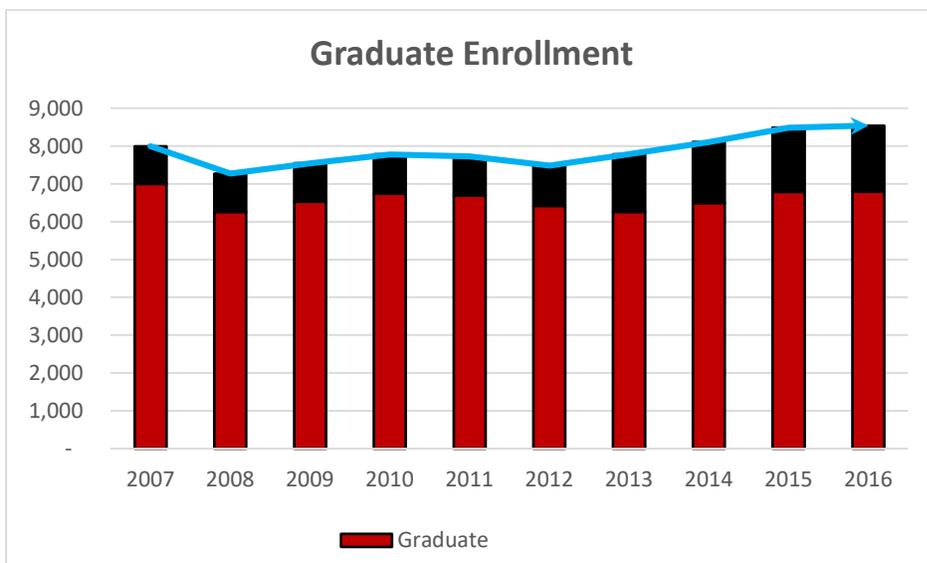
Institutional Change in Net Position



Undergraduate enrollment over the past ten years has been steady, averaging 3.3% growth each year. Improved retention and transfer rates have contributed significantly to this sustained and consistent growth.

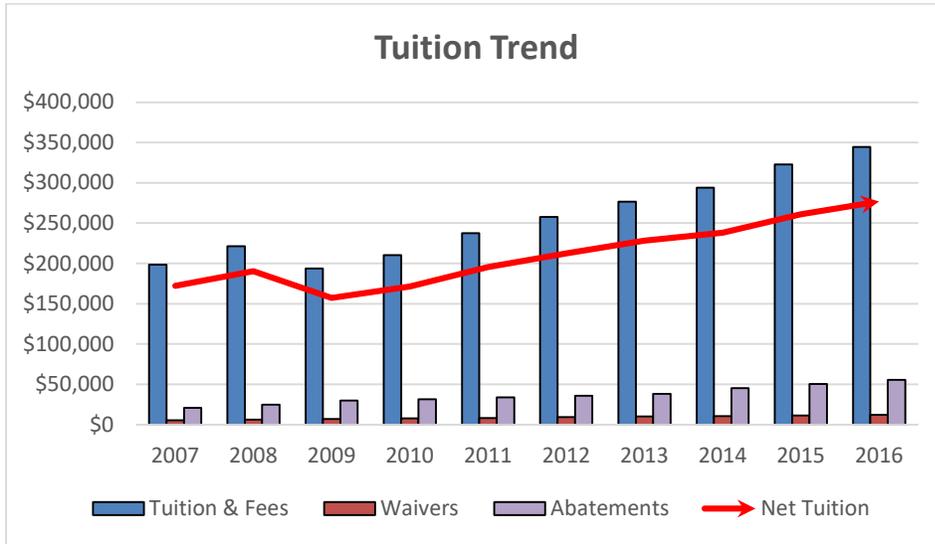


Graduate enrollment has averaged 7% over this ten-year period primarily due to Specialist student growth associated with the Law School, Medical School and Pharmacy School.

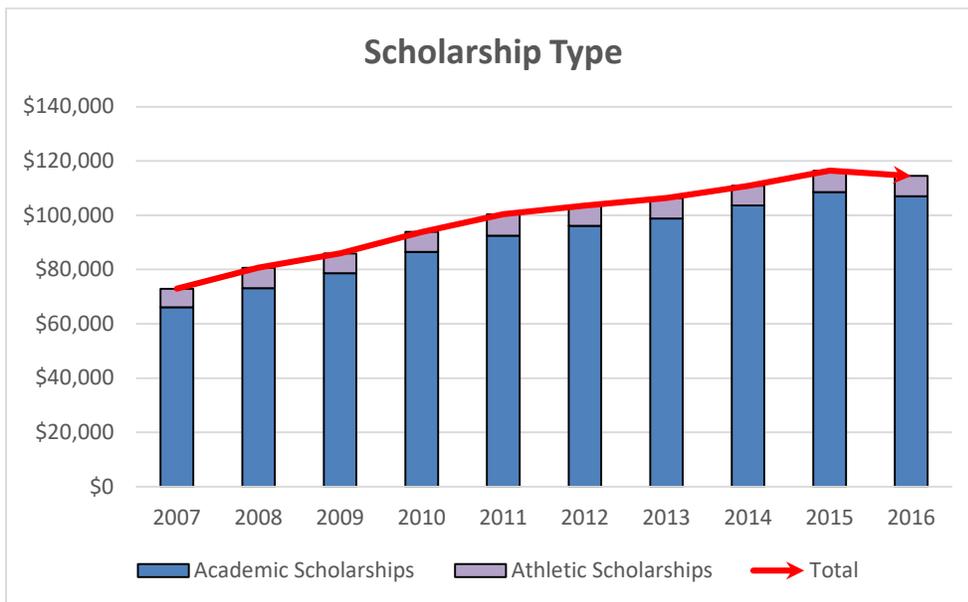
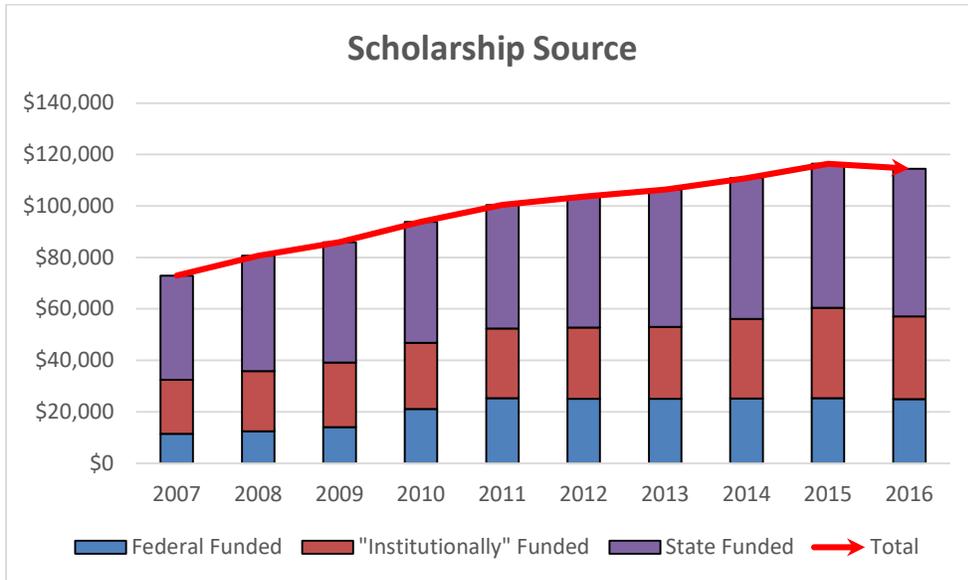


Since 40% students use the labs, a modest enrollment growth of 2% will result in average lab enrollment growth of 236 students per year over the next 5 years. In addition, the current contact hours per seat in each lab is 29. The optimal contact hours per seat is 19. The result is that lab times are extended to late in the evening to provide the current student enrollment with adequate lab class time.

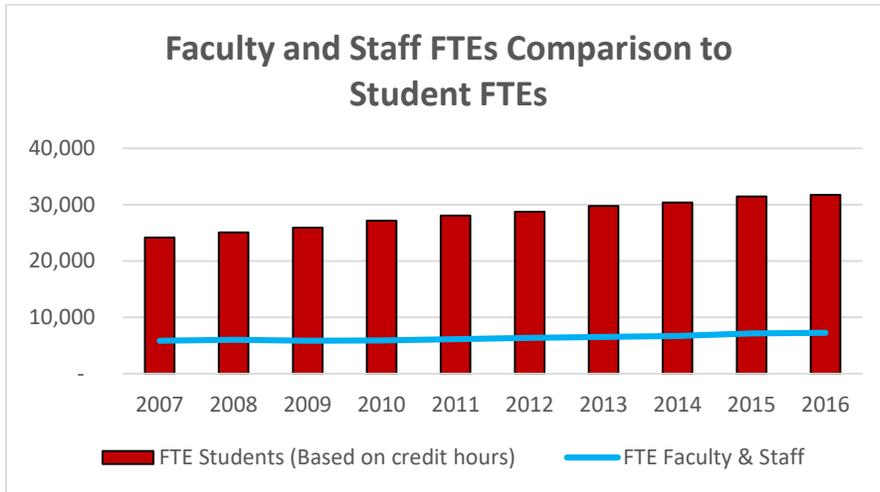
Tuition revenue represents on average 36.5% of total revenues. Net tuition has increased an average of 8% over in the ten-year period but is being offset by an average increase of 12% in waivers and 17% average increase in abatements over the same period.



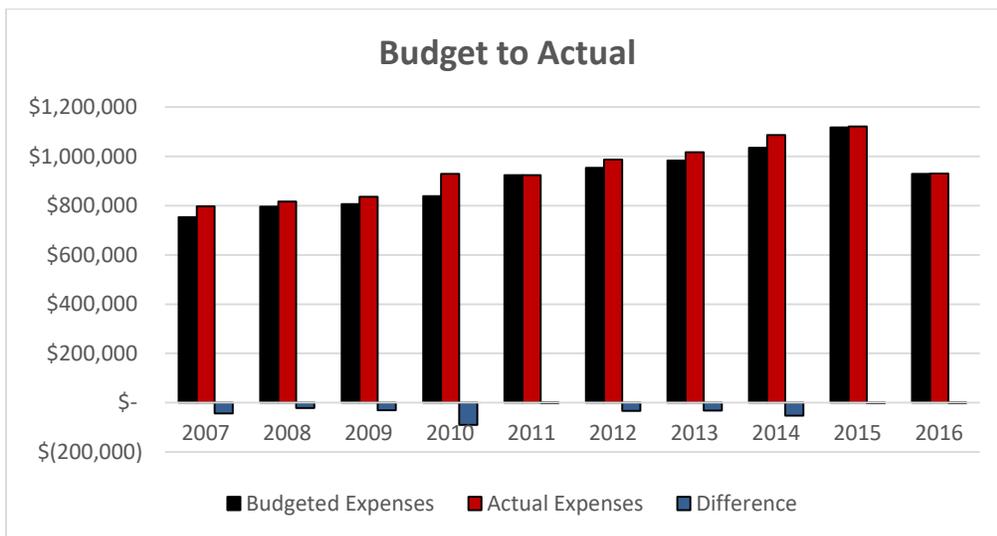
USC Columbia is making a conscious effort to reduce scholarships most notably for out-of-state students. The premise is that the university will be able to improve net tuition by moving to a model where out-of-state students pay for the quality education available at USC Columbia.



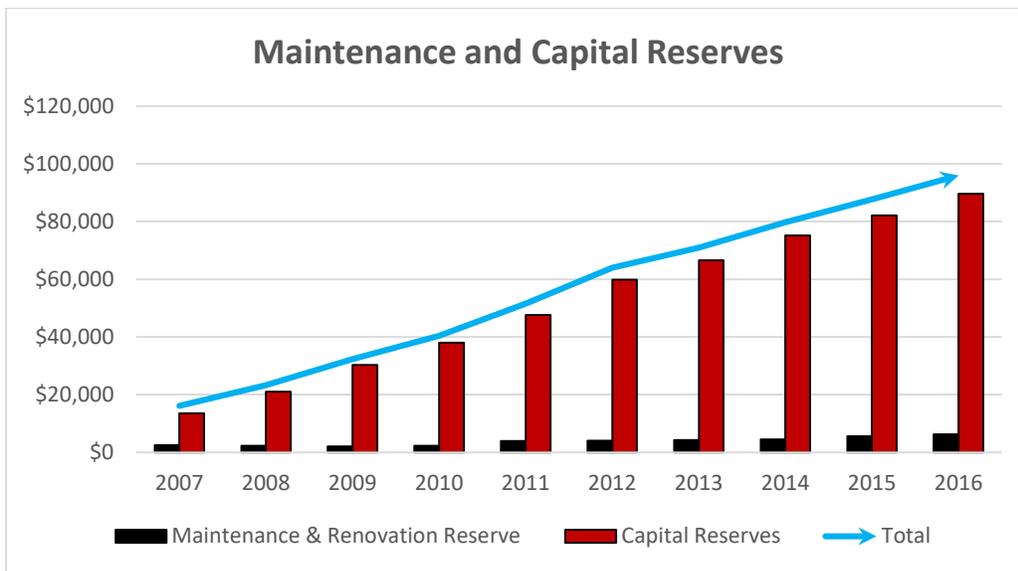
With the sustained growth, USC Columbia has responsibly maintained their FTE Faculty and Staff to FTE Student ratio. Over the past ten years the ratio has marginally increased from 1:4.1 to 1:4.4.



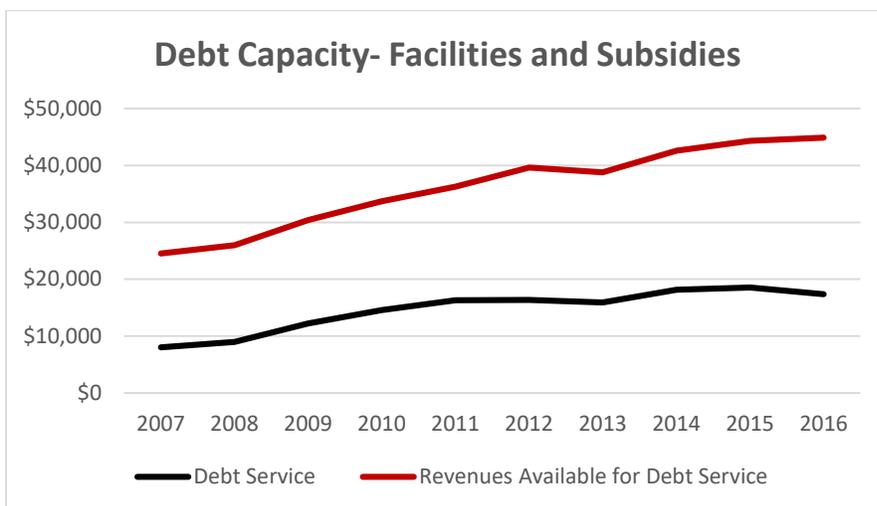
This prudent management should result in more favorable budget to actual expense differences. However, actual expenses have exceeded budgeted expenses 9 of the 10 years. This unfavorable outcome has been offset actual revenues exceeding budget revenues in each of the 10 years. It was noted that in FY2016 the expense budget variance was less than 1% and the revenue budget variance was less than 2%. If this more accurate budget outcomes continue, it will allow management to forecast and plan more accurately.



USC Columbia has made a significant effort in building maintenance and capital reserves of \$96 million. However, deferred maintenance totaling \$189 million has outpaced the reserve balance buildup. If the accuracy of FY2016 budget results continue, maintenance and capital reserves increases can be budgeted to align the reserve balance with the deferred maintenance total.



USC Columbia has adequate debt capacity to absorb the \$43.5 million of SIB debt if the bond bill is not passed. The annual debt service capacity prior to this debt is \$10.2 million and the new debt will require approximately \$3 million in debt service. The remaining debt service balance will be \$7.2 million or approximately \$109.5 million in total debt capacity.



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Division of Fiscal Affairs
SC Comm. on Higher Education

FOR DEPARTMENT USE ONLY	
CHE	_____
JBRC	_____
SFAA	_____
JBRC Staff	_____
ADMIN Staff	_____
A-1 Form Mailed	_____
SPIRS Date	_____
Summary	_____

(For Department Use Only)
SUMMARY NUMBER
FORM NUMBER

PERMANENT IMPROVEMENT PROJECT REQUEST

1. AGENCY
Code H27 Name USC Columbia
Contact Person Derek S. Gruner Phone (803)777-1184
2. PROJECT
Project # 6118 Name Classroom/Laboratory Redevelopment
Facility # 085 Facility Name Law Center

County Code	40 - Richland
New/Revised Budget	\$46,995,000.00

Project Type	1 - Repair/Renovate Existing Facilities/Systems
Facility Type	2 - Program/Academic

3. CPIP PROJECT APPROVAL FOR CURRENT FISCAL YEAR
CPIP priority number 2 of 8 for FY 16/17

4. PROJECT ACTION PROPOSED (Indicate all requested actions by checking the appropriate boxes.)

Establish Project	<input type="checkbox"/>	Decrease Budget	<input type="checkbox"/>	Close Project	<input type="checkbox"/>
Establish Project - CPIP	<input type="checkbox"/>	Change Source of Funds	<input type="checkbox"/>	Change Project Name	<input type="checkbox"/>
Increase Budget	<input checked="" type="checkbox"/>	Revise Scope	<input type="checkbox"/>	Cancel Project	<input type="checkbox"/>

5. PROJECT DESCRIPTION AND JUSTIFICATION
(Explain and justify the project or revision, including what it is, why it is needed, and any alternatives considered. Attach supporting documentation/maps to fully convey the need for the request.)

ACTION: Increase Budget and establish the construction budget.

DESCRIPTION: Establish project for construction and increase budget to fund the renovation of the former Law Center for the adaptive reuse of the facility to provide additional classrooms and laboratory space. The renovation will include the complete abatement of asbestos-containing materials and the removal of lead-based paint. A significant portion of the project will address maintenance needs and enhance energy efficiency since much of the original mechanical, electrical and plumbing are at the end of their serviceable life and will be replaced. Associated site work will include underground utilities, parking and pedestrian hardscape and replacing existing parking with green space. Three floors in the west tower will be upfitted for 17 instructional science labs, classrooms, offices and student study spaces. A portion of the 193,973 sqf building will be retained as shell space for the future upfit of classrooms and faculty offices.

JUSTIFICATION: The upgrades and replacements described in this project will address maintenance needs within the existing facility. The renovation will also address academic programming needs and laboratory shortages resulting from increases in enrollment.

BUDGET: The total projected project budget is \$46,995,000.

6. OPERATING COSTS IMPLICATIONS
Attach Form A-49 if any additional operating costs or savings will result from this request. This includes costs to be absorbed with current funding.

7. ESTIMATED PROJECT SCHEDULE AND EXPENDITURES
Estimated Start Date: April 2017 Estimated Completion Date: August 2020
Estimated Expenditures: Thru Current FY: \$500,000.00 After Current FY: \$46,495,000.00

8. ESTIMATES OF NEW/REVISED PROJECT COSTS

PROJECT #	6118
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- 1. _____ Land Purchase ---->
- 2. _____ Building Purchase ---->
- 3. 3,717,130.00 Professional Services Fees
- 4. 650,000.00 Equipment and/or Materials ---->
- 5. _____ Site Development
- 6. _____ New Construction ---->
- 7. 40,037,750.00 Renovations - Building Interior ---->
- 8. _____ Renovations - Utilities
- 9. _____ Roofing - Roof Age
- 10. _____ Renovations - Building Exterior
- 11. _____ Other Permanent Improvements
- 12. _____ Landscaping
- 13. _____ Builders Risk Insurance
- 14. _____ Other Capital Outlay
- 15. _____ Labor Costs
- 16. _____ Bond Issue Costs
- 17. 482,870.00 Other: Dept Relocation Expenses (\$250k), Abatement
- 18. 2,107,250.00 Contingency

Land: _____ Acres
 Floor Space: _____ Gross Square Feet
 Information Technology \$350,000.00
 Floor Space: _____ Gross Square Feet
 Floor Space: 193,973 Gross Square Feet

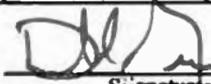
\$46,995,000.00 TOTAL PROJECT BUDGET

ENVIRONMENTAL HAZARDS	
Identify all types of significant environmental hazards (including asbestos, PCB's, etc.) present in the project and the financial impact they will have on the project.	
Type:	_____
Cost Breakdown	
Design Services	\$ _____
Monitoring	\$ _____
Abate/Remed	\$ <u>232,870.00</u>
Total Costs	\$ <u>232,870.00</u>

9. PROPOSED SOURCE OF FUNDING

Source	Previously Approved Amount	Increase/Decrease	Original/Revised Budget	Transfer to/from Proj #	Rev Object Code	Transfer's ID Number	lev Sub and	Exp Sub Fund
(0) CIB, Group			0.00 0.00		8115		3043	3043
(1) Dept. CIB, Group			0.00 0.00		8115		3143	3143
(2) Institution Bonds		43,495,000.00	43,495,000.00 0.00		8111	28800100	4000	3235
(3) Revenue Bonds			0.00 0.00					3393
(4) Excess Debt Service			0.00 0.00					3497
(5) Capital Reserve Fund	3,500,000.00		3,500,000.00 0.00		8895	50300402	3603	3603
(6) Appropriated State			0.00 0.00		8895	68800100	1001	3600
(7) Federal			0.00 0.00			78800100		5787
(8) Athletic			0.00 0.00			88800100		3807
(9) Other (Specify)			0.00 0.00 0.00			98800100		3907
TOTAL BUDGET	\$3,500,000.00	\$43,495,000.00	\$46,995,000.00					

10. SUBMITTED BY:

 Director, Planning and Programming
 Signature of Authorized Official and Title

April 6, 2017

Date

11. APPROVED BY:

(For Department Use Only)

Authorized Signature and Title

Date

**ADDITIONAL ANNUAL OPERATING COSTS/SAVINGS
RESULTING FROM PERMANENT IMPROVEMENT PROJECT**

1. AGENCY
Code H27 Name University of South Carolina - Columbia

2. PROJECT
Project # 6118 Name Classroom/Laboratory Redevelopment

3. ADDITIONAL ANNUAL OPERATING COSTS/SAVINGS. (Check whether reporting costs or savings.)

COSTS SAVINGS NO CHANGE

4.

TOTAL ADDITIONAL OPERATING COSTS/SAVINGS				
Projected Financing Sources				
(1)	(2)	(3)	(4)	(5)
Fiscal Year	General Funds	Federal	Other	Total
1) FY19	\$ 1,010,254	\$		\$ 1,010,254
2) FY20	\$ 945,254	\$		\$ 945,254
3) FY21	\$ 945,254	\$		\$ 945,254

5. If "Other" sources are reported in Column 4 above, itemize and specify what the other sources are (revenues, fees, etc.).

N/A

6. Will the additional costs be absorbed into your existing budget? YES NO
If no, how will additional funds be provided?

N/A

7. Itemize below the cost factors that contribute to the total costs or savings reported above in Column 5 for the first fiscal year.

<u>COST FACTORS</u>	<u>AMOUNT</u>
1. <u>Custodial Staff Services and Supplies</u>	<u>\$ 175,940</u>
2. <u>Maintenance Staff Services and Supplies</u>	<u>\$130,000</u>
3. <u>Landscaping Staff Services and Supplies</u>	<u>\$7,500</u>
4. <u>Waste Management</u>	<u>\$8,424</u>
5. <u>Utilities</u>	<u>\$589,694</u>
6. <u>Administrative Support</u>	<u>\$33,696</u>
7. <u>One time Equipment</u>	<u>\$65,000</u>
8. _____	_____
TOTAL	<u>\$1,010,254</u>

8. If personal services costs or savings are reported in 7 above, please indicate the number of additional positions required or positions saved. _____

9. Submitted By:  Director, Planning and Programming 4/6/2017
Signature of Authorized Official and Title Date

**PERMANENT IMPROVEMENT PROJECT INFORMATION FORMAT
FOR PHASE II CONSTRUCTION BUDGET**

1. What is the total projected cost of the project and what is it based on? Please attach a summary of the costs prepared during the A&E pre-design phase to support the total cost.

The total projected cost of the project is \$46,995,000 based on a detailed cost estimate prepared during the pre-design phase. A cost summary and a detailed construction estimate are included with the Phase II submittal.

2. What is/are the source(s) of funds for the construction? If any private or federal funds are included, please attach a letter guaranteeing the availability of the funds.

Capital Reserve Fund (\$3,500,000) and State Institutional Bonds (\$43,495,000)

3. What is your agency/institution's definition of each fund source to be used for construction? (If any type of fee makes up a portion of the source, what is the fee called, what is the fee amount, and when it was put in place. If there is a statutory authority authorizing the use of the funds for capital projects, please cite the code section.)

Capital Reserve Funds were provided by the State. State Institutional Bonds are borrowed funds received from bonded debt.

4. What is the current uncommitted balance of funds for each source listed in 3 above?

All CRF and bonded funds listed in question 3 will be committed only to this project.

5. If institution or revenue bonds are included as a source, when were the bonds issued? If not issued yet, when is the bond resolution expected to be brought for SFAA approval?

The bond resolution will be brought for SFAA approval at the June meeting.

6. If a student fee is used to fund debt service, what is the current amount of the fee annually or by semester? Please specify which.

Not applicable.

7. Will the use of any funds for construction require an increase in any student fee or tuition? If so, please explain in detail.

No.

8. Will the project be LEED certified for energy savings and conservation and if so, at what level will it be certified? For projects requiring or using LEED certification, please attach the required cost-benefit analysis and a checklist of items to be used to achieve LEED points or a description of the energy measures to achieve LEED.

The project will be LEED certified.

9. What energy savings/conservation measures will be implemented within the project if the project will not be LEED certified? For projects that do not require/use LEED, please provide a paragraph on energy savings measures to be implemented as part of the project. If there are no energy savings measures included, please state that and explain why.

Not applicable.

10. What is the projected date (month and year) for execution of the construction contract?

Abatement contracting is scheduled to be contracted in September of 2017. The building renovation will be contracted in January 2018.

11. What is the projected date (month and year) for completion of construction?

Completion of construction is projected for August of 2019.

12. What program(s) are to be included in the constructed or renovated space?

The College of Arts and Sciences will conduct science teaching labs, specifically various levels of chemistry.

13. What is the total square footage of the building to be renovated or constructed?

The total square footage of the building is 193,973 gsf.

14. If a portion of the building is to be renovated, what is the square footage of the portion that will be included in the renovation?

Approximately 85,000 GSF will be upfitted and the remainder will be shell space prepared for future academic upfitting.

15. What is the current age of the building or building systems to be renovated?

The current age is 44 years old.

16. If any new space is being added to the facility, please provide demand/usage data to support the need.

Not applicable as there is no new space being added to the facility.

17. What are the estimated numbers of students, faculty, staff and/or clients that are expected to use the space affected by the project or the entire building? (Answer for as many as are applicable.)

Several thousand students will occupy the building on a daily basis.

18. If the construction cost increased significantly from the internal estimate (30% or more), what factors caused the cost to increase?

Not applicable.

19. If the contingency is more than 10%, please explain why.

Not applicable.

20. If funds are being transferred from another project, what is the current status of the project from which funds are being transferred?

Not applicable.

21. Has the project been included in a previous year's CPIP? If so, what was the last year the project was included and for which year, 1-5?

The project is included in year 1 of the 2016 CPIP.

22. What are the economic impacts of the project, including job creation and retention? If there are none, please explain.

This project will provide economic activity through the construction project. Construction creates and/or retains jobs in three ways: 1) it creates direct jobs that are involved in the construction project; 2) it creates indirect jobs through the manufacturing of building materials and systems and the provision of key services in areas like design professions, legal, and accounting services; and 3) it creates induced jobs in other service areas whereby income from the first two categories is spent on goods and services in other areas of the economy. It is estimated that this project will generate 940 jobs.

23. How will your agency/institution address and fund maintenance of this facility construction/renovation?

Maintenance will be funded from the Education and General Maintenance Reserve.

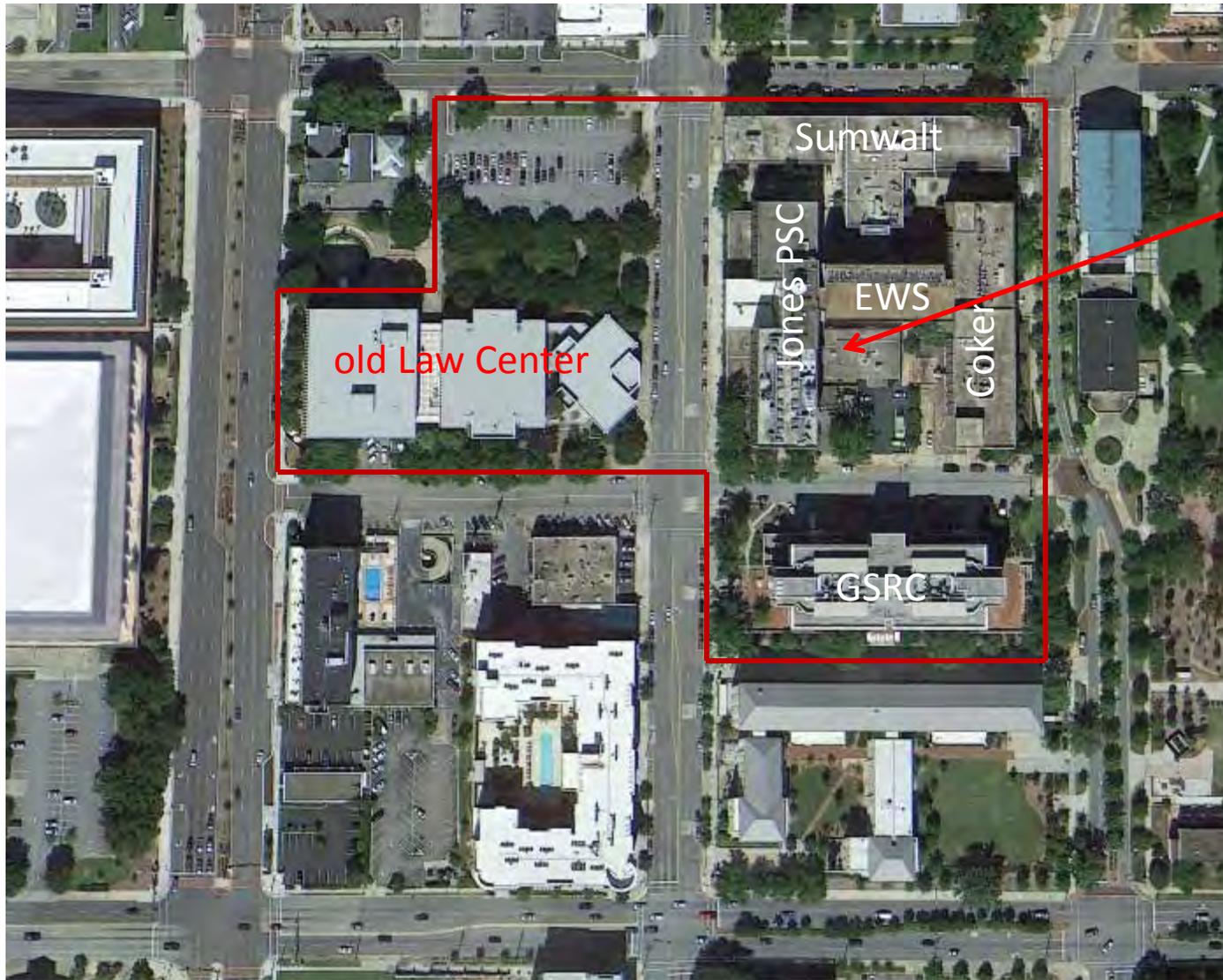
24. If your agency/institution has a deferred maintenance account, what is the name of the account and what is its current uncommitted balance?

Education and General Maintenance Reserve. At this time, there is no uncommitted balance in the E&G Maintenance Reserve Fund account after factoring in all planned projects. The E&G Maintenance Reserve Fund is replenished annually.

25. If how maintenance will be addressed and funded for this facility construction/renovation has not been determined yet, what steps are in place to begin to address how your agency/institution will fund maintenance to this and other agency/institution facilities?

The funding of maintenance is described in the answers to questions 23 and 24.

Site Plan showing relationship of old Law Center to Existing Science Quad



- Expansion of existing Science Quad must now occur across Main Street.
- Connectivity for students and pedestrians will be enhanced with future improvements to Main Street

