Minutes

Lease Agreement Planning Subcommittee of the LGC Board

Meeting – April 6, 2015

Following the previous meeting of the subject Lowcountry Graduate Center (LGC) Board Subcommittee, an exchange of numbers and correspondences detailing lease-related and other occupancy-related expenses ensued by email among its members, in an attempt to bring greater clarity, with granularity, to the discussion. The Subcommittee then met again by teleconference on Monday, April 6, 2015. Public notice was given > 24 hours in advance, and the media was notified of the Subcommittee meeting by teleconference, in accordance with FOIA laws of the State of South Carolina. On the April 6th call were Subcommittee Members: Allison Dean Love, Sam Hines, and Michael Stavrinakis, as well as Non-Voting Members: Brian McGee and Nancy Muller. Also on the call were Donna Johnson and Patty Richardson of the LGC. When everyone joined the call, the meeting commenced at 4:09 p.m. EDT.

Love called the meeting to order, referencing the written minutes of the March 9, 2015 meeting by teleconference which had been circulated. Muller said that for the file copy, she made the requested insert by McGee, and Love asked that the corrected minutes be re-circulated and she agreed. There were no further corrections or additions to the minutes.

Love said that the Subcommittee was assembled again to agree on a methodology to recommend for sharing lease and related occupancy expenses with the College of Charleston and to come up with a short-term fix for how to share the current and approaching FY 2016 expenses, for budgeting purposes. She asked McGee to open discussion.

McGee said that he had never been more cognizant of LGC expenses before now, although he considered the discussion of methodology for sharing costs to be increasingly problematic. He added that the College has since withdrawn its original request of the LGC Board for a multi-year agreement. The College questions how little money it is willing to accept from the LGC without ending the relationship. There are several approaches: 1) a fee split scheme such as for utilities; 2) a split of all actual expenses including depreciation on capital assets of the College; or, 3) a simple, fixed rent.

Love then asked what the College's expectations from the Subcommittee are. McGee responded that Steve Osborne wants to be invited to the next meeting. He does not want a sum lower than the $501,306 figure quoted by Amy Orr in September 2014. Both President McConnell and Osborne want to resolve the question of how to share current FY 2015 before starting on the FY 2016 Budget; otherwise, the College will develop a FY 2016 Budget without the LGC.

Hines said that what McGee had just expressed was a very threatening posture on the part of the College.

Brian added that the LGC should plan for other contingencies. The College has a square footage deficit downtown in its available space. He reminded the group that the current lease on 3800 Paramount Drive makes no mention of the LGC.

Love then asked Muller to frame the expectations of the LGC. Muller summarized the various percentages she had developed derived from actual data, all focused on usage of the facility, to serve as the basis for how to allocate costs between the College and the LGC. The LGC's current usage of classroom space indicates a 29% share. This compares to an allocation based on headcount by function which, including usage of the large 150-person capacity conference room, indicates approximately 20%. Another route is to simply base the allocation on staffing as an indicator of program activity on the campus, thereby suggesting a percentage of 22.5% based on the LGC's 4.5 FTE in staff. She said that she had not been able to find a quantitative approach that was even remotely close to the 42.61% still demanded by the College and from which the $501,306 figure was derived last September. She added that with the LGC's fixed dollar amount from the State, with no flexibility to raise funds from tuition like an educational institution and no built-in escalation in appropriations for inflation such as imbedded in the lease agreement, monies remaining after lease payments and other supplies and expenses continually erode those for LGC marketing and personnel. The recently enacted 5% assessment by the LGC Board against tuitions of programs holding classes at the LGC generates a tiny fraction of the LGC's required operating budget. She therefore reiterated her earlier recommendation that the LGC pay somewhere in the range of 20-29% of the costs of the facility.

Hines commented that after considering all he had read and heard thus far on the subject, he had concluded that 25% seemed a fair and reasonable allocation for the LGC to pay.

McGee responded that there is no chance the Management Team at the College will go that low. He added that this is incompatible with the decision to build a 50,000 ft^2 building, having left one only 20,000 ft^2 in size. The College was of the opinion that it was a mutual decision with the LGC Board to increase square footage by 2 ½ times. He said they believe that the LGC Board desired more space than it had in the previous building when Boeing's expansion forced the relocation. Hines asked if there is a document or minutes of those conversations, as he didn't have that same recollection from LGC Board meetings.

Muller interjected that the LGC did not ask for or receive at the time for an increase in its recurrent appropriations from the State for higher lease payments. Did the College not ask for and receive approval by the State Budget & Control Board to enter into such contractual arrangements with Holder Properties, she inquired? McGee replied that the College did not ask for additional monies from the State for the more costly lease than with SCRA because the College had sufficient funds because of its conservative management practices to cover the incremental costs. Hines commented that the College has lost its interest in the LGC.

Love then asked McGee his assessment of the price point needed to resolve the matter. He advised that the best way to conclude the matter is to next meet face to face. He further advised not to go under 30%.

Hines asked Muller what the impact of 30% would be. To respond, Muller directed the group on the call to column three of the Excel spreadsheet sent on April 2nd by her by email to the Subcommittee, illustrating that at a 29% allocation in FY 2015 of the base rent of $830,000, the LGC would enjoy a net surplus of $22,839 over annual, recurrent appropriations, but when considering the lack of injecting non-current funds, the net cash excess quickly shifts to an operating deficit of $131,561. She shared the fact that she pointed out to the State House Ways & Means Subcommittee on Higher Education in February that the non-recurrent funding of $300,000 will be depleted by the end of FY 2016 other than commitments related to supporting the new web site with digital marketing. Muller stressed the importance of having the ability to find and launch new academic programs to be offered through the LGC to working professionals. The carry forward of funds is already being dented, she noted, acknowledging that it stood at $780,200 at FY 2014 yearend, representing barely one year's worth of operating expense requirements.

Stavrinakis commented that there has to be a face-to-face meeting with the College. He believes that Management at the College is fully aware of its ability to move forward without the LGC. He added that the College clearly has a plan in mind. He said he was fine with Love representing the three of them if Muller was comfortable with 30% for striking a deal. McGee admitted that there have been misunderstandings between the College and the LGC on this matter but the College has been at fault.

Hines added that we must take forward the same message to the Charleston Legislative Delegation – at least to its Chairperson - as it must represent LGC's mission and needs to the State Legislature going forward. Love said that she would love to see goodwill both short term and long term with the College of Charleston in support of such a message. McGee responded that there is plenty of goodwill present, speaking on behalf of the College of Charleston. He added, however, that it is hard for the LGC to get an increase in recurrent funding from the State before using its cash reserve, or carry forward. Love stated that we all need the same message points.

Hines said that the LGC Board's Strategic Planning Task Force needs to incorporate in its outline for discussion an articulation of the roles to be played by the LGC in furthering the agendas of each of the three original member institutions of the Consortium – the College of Charleston, The Citadel, and MUSC. He added that it is very important that each institution renews its vows to the mission of the LGC. The value of the LGC to the College may be harder to define since it is joined at the hip with the College in its physical facility in North Charleston, unlike MUSC and The Citadel.

Stavrinakis said that 30% is OK this year but it is a temporary band-aid. The LGC is not doing enough to promote the programs needed in the Lowcountry to support the build-out of the local workforce management. More students need to be attracted and enrolled. More marketing is needed. Muller commented that the State Government desperately wants to see the State funded institutions collaborating with each other. The LGC is a neutral facilitator to enable such desired collaboration in the leveraging of teaching assets across the State. But it also takes dollars to publicize programs and grow awareness of what is available, she said in agreement.

With little further discussion, a meeting date for Love to meet 1:1 with Osborne was then established to occur at 4:00 p.m. on Thursday, April 9, 2015. Love said she was willing to represent the LGC Subcommittee. Hines said he was not available to attend a meeting at that time/date. Love confirmed with Stavrinakis and Hines that they were "good" to accept 30% for the current FY 2015, acknowledging the need to confer with the LGC Board at its June 24th meeting regarding going forward, including approvable budget amounts for FY 2016 and the methodology.

The motion was made and unanimously accepted to agree with Management of the College of Charleston for 30% to be funded by the LGC.

Close of the meeting by teleconference was made by McGee at 5:02 p.m. and seconded by Hines. The meeting was adjourned.

Respectfully submitted,

Patty Simpson, Donna Johnson, and Nancy Muller

April 20, 2015