MINUTES OF STATE BUDGET AND CONTROL BOARD MEETING

August 9, 2011 -- 10:00 A. M.

The Budget and Control Board (Board) met at 10:00 a.m. on Tuesday, August 9, 2011, in Room 252 in the Edgar A. Brown Building, with the following members in attendance:

Governor Nikki R. Haley, Chair;
Mr. Curtis M. Loftis, Jr., State Treasurer;
Mr. Richard Eckstrom, Comptroller General;
Senator Hugh K. Leatherman, Sr., Chairman, Senate Finance Committee; and
Representative W. Bryan White, Chairman, Ways and Means Committee.

Also attending were Budget and Control Board Executive Director Eleanor Kitzman; Chief of Staff Marcia Adams and Division Director Les Boles, Steve Van Camp, and Samuel L. Wilkins; Acting General Counsel Paul Koch; Governor's Deputy Chief of Staff for Policy, Budget, and Cabinet Affairs Ted Pitts; Treasurer's Chief of Staff Bill Leidinger; Comptroller General's Chief of Staff James M. Holly; Senate Finance Committee Budget Director Mike Shealy; Ways and Means Committee Chief of Staff Beverly Smith; Board Secretary Delbert H. Singleton, Jr., and other Budget and Control Board staff.

Adoption of Agenda for Budget and Control Board

Upon a motion by Senator Leatherman, seconded by Mr. Eckstrom, the Board adopted the agenda as proposed. [Secretary's Note: Mr. Loftis asked to add an item for an update on the Department of Transportation's (DOT) finances. Governor Haley advised that an item could not be added at this point. She said that there is a DOT item further in the agenda for an opportunity to get an update on DOT.]

Minutes of Previous Meeting

Upon motion by Mr. Loftis, seconded by Senator Leatherman, the Board approved the minutes of the June 14, 2011, Budget and Control Board meeting.

Blue Agenda

Upon a motion by Mr. Eckstrom, seconded by Senator Leatherman, the Board approved the blue agenda items, except as otherwise noted herein.

State Treasurer: Bond Counsel Selection (Blue Agenda Item #1)

The Board approved the following notification of the assignment of bond counsel for conduit issues (for ratification of issuer's counsel only) for which Board approval was requested:

CONDUIT ISSUES: (For ratification of Issuer's Counsel only)

Description of Issue	Agency/Institution (Borrower)	Borrower's Counsel	Issuer's Counsel
$30,500,000 SC JEDA	Tire International Env. Solutions	Parker Poe	McNair Law Firm, P.A.
$10,000,000 SC JEDA	Be Green Packaging	Nexsen Pruet	Parker Poe
$45,000,000 SC JEDA	Georgetown Hospital System	Haynsworth Sinkler Boyd	Pope Zeigler LLC
$15,500,000 SC JEDA	ACE Environmental and SMJ, Inc.	Haynsworth Sinkler Boyd	Parker Poe
$41,000,000 SC JEDA	CareAlliance d/b/a/ Roper St. Francis	Haynsworth Sinkler Boyd	Howell, Linkous & Nettles
$8,600,000 SC JEDA	Lowcountry BioMass, LLC	Haynsworth Sinkler Boyd	Parker Poe
$4,000,000 SC JEDA	C.R. Jackson, Inc.	Nexsen Pruet	McGuire Woods

Information relating to this matter has been retained in these files and is identified as Exhibit 1.

Division of General Services: Easements (Blue Agenda Item #2)

The Board approved the following easements in accordance with SC Code of Laws as requested by the Division of General Services:

(a) County Location: Beaufort
From: Budget and Control Board
To: Hargray Telephone Company, Inc.
Consideration: $900
Description/Purpose: To grant a 1.988 acre easement for the installation, operation and maintenance of fiber optic cable beneath the marshes of Calibogue Sound.

(b) County Location: Beaufort
From: Budget and Control Board

	To:	South Carolina Electric and Gas Company
	Consideration:	$944
	Description/Purpose:	To grant a 2.22 acre easement for the relocation, installation, operation and maintenance of an existing gas pipeline beneath Whale Branch.
(c)	County Location:	Barnwell
	From:	Budget and Control Board
	To:	City of Barnwell
	Consideration:	$700
	Description/Purpose:	To grant a 0.09 acre easement for the installation, operation and maintenance of an 18" sanitary sewer force main beneath the Salkehatchie River.
(d)	County Location:	Berkeley
	From:	Budget and Control Board
	To:	South Carolina Electric and Gas Company
	Consideration:	$525
	Description/Purpose:	On January 31, 2008, the Board approved an easement for 0.084 acre for the installation, operation and maintenance of a natural gas line and regulating station on property of the Department of Vocational Rehabilitation's Berkeley-Dorchester Office. The original easement is undersized for the infrastructure and does not include a 10' buffer required by Berkeley County. SCE&G is now requesting an additional 0.014 acre to meet these needs.

The Board concurred and acquiesced in granting the following easement in accordance with SC Code of Laws as requested by the Division of General Services:

(e)	County Location:	Darlington
	From:	Florence-Darlington Technical College
	To:	Darlington County Water & Sewer Authority
	Consideration:	$1
	Description/Purpose:	To approve the grant of a 1.13 acre easement for the purpose of installing and maintaining water and sewer mains to provide services to the National Guard's Field Maintenance Facility.

Information relating to this matter has been retained in these files and is identified as Exhibit 2.

Division of General Services: Real Property Conveyances (Blue Agenda Item #3)

The Board approved the following property conveyances as requested by the Division of General Services:

(a)	**Agency:**	**Department of Transportation**
	Acreage:	4± acres
	Location:	On Mill Road, Belton
	County:	Anderson
	Purpose:	To convey the surplus Belton Section Shed to the City of Belton in exchange for accepting 1.14± miles of state roads into the City's road system.
	Price/Transferred To:	Exchange/City of Belton
(b)	**Agency:**	**Department of Motor Vehicles**
	Acreage:	6.43± acres
	Location:	438 North Highway 52, Moncks Corner
	County:	Berkeley
	Purpose:	To convey the Department of Motor Vehicles' interest in the Moncks Corner property to the Department of Transportation. As part of the Restructuring Act of 1993, the Department of Transportation received 91% interest in the property and the Department of Public Safety received 9% interest, which was subsequently transferred to the Department of Motor Vehicles when it became a stand-alone agency.
	Price/Transferred To:	No consideration/Department of Transportation

Information relating to this matter has been retained in these files and is identified as Exhibit 3.

Division of Human Resources: Appointment of State Employee Grievance Committee Members (Blue Agenda Item #4)

Section 8-17-340 (A) of the S.C. Code of Laws provides that members of the State Employee Grievance Committee be appointed by the Budget and Control Board. The Human Resources Division recommended the reappointment of the following members for three year terms: Zina Hampton and Michelle Piekutowski.

Agencies submitted nominations, and the Division of Human Resources recommended the appointment of the following new members: Glenise Elmore, Department of Social Services; Nancy Hall, Department of Disabilities and Special Needs; Justin Hancock, Department of Parks, Recreation and Tourism; Christopher Johnson, Francis Marion University; Kenneth Middlebrooks, Department of Consumer Affairs; Wanda Miller, Commission for the Blind; Mary Oakman, South Carolina Technical College System; David Slimmer, Lander University; and Barton Vincent, Department of Corrections. Ms. Hall, Mr. Hancock, Mr. Middlebrooks, Ms. Miller, Ms. Oakman and Mr. Vincent will serve three year terms. Ms. Elmore, Dr. Johnson, and Dr. Slimmer will serve the remaining one year of three resignees' uncompleted terms.

The Board approved the following recommendations for appointments to the State Employee Grievance Committee to be effective when training by the Division of Human Resources is completed: Glenise Elmore, Department of Social Services; Nancy Hall, Department of Disabilities and Special Needs; Justin Hancock, Department of Parks, Recreation and Tourism; Christopher Johnson, Francis Marion University; Kenneth Middlebrooks, Department of Consumer Affairs; Wanda Miller, Commission for the Blind; Mary Oakman, South Carolina Technical College System; David Slimmer, Lander University; and Barton Vincent, Department of Corrections. Ms. Hall, Mr. Hancock, Mr. Middlebrooks, Ms. Miller, Ms. Oakman and Mr. Vincent will serve three year terms. Ms. Elmore, Dr. Johnson, and Dr. Slimmer will serve the remaining one year of three resignees' uncompleted terms.

Information relating to this matter has been retained in these files and is identified as Exhibit 4.

Division of Procurement Services: Procurement Audits and Certifications (Blue #5)

In accordance with Section 11-35-1210 of the South Carolina Consolidated Procurement Code, the Procurement Services Division reviewed the procurement system of York Technical College (the College). As the College has not requested procurement certification, the audit report was submitted to the Board as information only.

Mr. Eckstrom asked when a follow up procurement audit would be performed for the College. Voight Shealy, Materials Management Officer, stated that a follow up audit has already been conducted. He said the audit staff noted significant improvement in the follow up audit for the College before bringing the matter to the Board. Mr. Shealy said the audit staff followed up on every point raised in the audit and found no exceptions with regard to the exceptions that were noted in the original audit report. Mr. Eckstrom asked whether there were common causes for the exceptions that were reported in the initial report and what was the College able to do better the second time around. Mr. Shealy indicated there was a changeover in the Procurement Director's position that led to a number of the reporting discrepancies. He said those issues were resolved once they were reported to the College's president and executive staff.

The Procurement Services Division, in accord with Section 11-35-1210, audited the following agency and recommended certification within the parameters described in the audit reports for the following limits (total potential purchase commitment whether single-or multi-year contracts are used):

> College of Charleston (for a period of three years): supplies and services, $500,000* per commitment; consultants, $500,000* per commitment; printing services, $500,000* per commitment; information technology, $200,000* per commitment; construction services, $100,000* per commitment; construction contract change order, $100,000 per change order; architect/engineer contract amendment, $15,000 per amendment.
>
> *Total potential purchase commitment whether single or multi-term contracts are used.

The audit confirms the Procurement Office has the internal controls and expertise to ensure compliance with the application requirements for the certifications.

The Board received as information the audit report for York Technical College. In accord with Section 11-35-1210, the Board also granted the following procurement certification within parameters described in the audit reports for the following limits (total potential purchase commitment whether single-or multi- year contracts are used) for the following agency:

> College of Charleston (for a period of three years): supplies and services, $500,000* per commitment; consultants, $500,000* per commitment; printing services, $500,000* per commitment; information technology, $200,000* per commitment; construction services, $100,000* per commitment; construction contract change order, $100,000 per change order; architect/engineer contract amendment, $15,000 per amendment.

Information relating to this matter has been retained in these files and is identified as Exhibit 5.

Executive Director: Revenue Bonds (Blue Agenda Item #6)

The Board approved the following proposals to issue revenue bonds:

a. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: Not Exceeding $15,500,000 Economic Development Revenue Bonds
Allocation Needed: $15,500,000
Name of Project: ACE Environmental Processing, LLC
Employment Impact: maintain 6 jobs and add 30 within 12 months and 40 within 24 months
Project Description: acquiring land, buildings, improvements, equipment and furnishing of two facilities (Pelzer & Starr) for processing, handling and logistics management of industrial recoverable materials
Note: *private sale (or underwriting)*
Bond Counsel: Kathleen Crum McKinney, Haynsworth Sinkler Boyd, P.A.
(Exhibit 6)

b. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: Not Exceeding $41,000,000 Economic Development Refunding Revenue Bonds ($41,000,000 refunding bonds)
Allocation Needed: -0-
Name of Project: CareAlliance Health Services D/B/A Roper St. Francis Healthcare
Employment Impact: Because this is a refunding, no new jobs will be created. Roper St. Francis healthcare currently has approximately 5,300 employees.
Project Description: provide financing to defray the cost of refunding a portion of the Charleston County, South Carolina Revenue Bonds, Series 1999A Bonds which were issued to refund prior indebtedness of Roper St. Francis Healthcare and to finance certain capital improvements.
Note: *private sale*
Bond Counsel: Jeremy L. Cook, Haynsworth Sinkler Boyd, P.A
(Exhibit 7)

c. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: Not Exceeding $28,000,000 Hospital Revenue Refunding Bonds ($28,000,000 refunding involved)
Allocation Needed: -0-
Name of Project: Georgetown Hospital System
Employment Impact: maintain 1373 jobs and add 8 within 12 months
Project Description: refunding outstanding principal amounts of Series 1998 Bonds, Series 1999 Bonds, and Series 2001 Bonds used to acquire, construct, renovate and equip hospital facilities at Georgetown Memorial Hospital and Waccamaw Community Hospital
Note: *private sale*
Bond Counsel: Kathleen Crum McKinney, Haynsworth Sinkler Boyd, P.A.
(Exhibit 8)

Executive Director: Economic Development (2011 Ceiling Allocations) (Blue Item #7)

The initial balance of the 2011 state ceiling allocation is $439,409,580. In accord with Code Section 1-11-520, $175,763,832 (40% of the total) was designated as the state pool and $263,645,748 (60% of the total) was designated as the local pool. There is presently a state ceiling balance of $439,409,580 remaining for 2011. Allocation requests for 2011 totaling $18,107,000 have been received thus far.

The recommendation from the Department of Commerce for allocations for this cycle totaled $15,500,000. The Department of Commerce made the following recommendation for allocation from the local pool:

JEDA Ace Environmental Processing, LLC, $15,500,000 (Anderson County).

Board approval of the recommended request, will leave an unexpended state ceiling balance of $423,909,580 (state pool - $175,763,832; local pool - $248,145,748) to be allocated later in the calendar year.**

The Board, in accord with Code Section 1-11-500 et seq. and upon the recommendation of the Department of Commerce, granted the following tentative ceiling allocation from the local pool and defer all remaining ceiling allocation requests:

JEDA Ace Environmental Processing, LLC, $15,500,000 (Anderson County).

Information relating to this matter has been retained in these files and is identified as Exhibit 9.

Employee Insurance Program: State Health Plan Benefits and Contribution Rates Effective January 1, 2012 (Regular Session Item #1)

Section 1-11-710(A)(2) of the South Carolina Code of Laws requires that the Board approve the State Health Plan benefits and contribution rates for the upcoming calendar year by August 15th of each year. The FY 2011-2012 Appropriations Act provides for a 4.5% increase in the aggregate *employer* contribution rate for Plan Year 2012 based on an expected equal increase in the *employee* contribution rate. In order to ensure sufficient funding for the current program, State Health Plan consultants recommended an overall increase in the combined employer and employee contribution rates of 4.5%, due primarily to health expenditure growth.

Mr. Eckstrom noted that his concern is that the reserves that are building up, while not a lot higher than they need to be, are higher than they need to be. He said if the item is approved as written, a liability is laid on the employer and requiring unnecessary costs to be borne by state employees and state retirees. He said he realizes that some action has to be taken to generate additional premium revenue for the plan, but questions whether 4.5% is the right percentage to use. Mr. Eckstrom stated that he supports the fact that the Board should pursue some cost sharing in the increase that is equitable. He commented that the basic approach is a good approach, but the amount is more than it needs to be given that the State would be producing almost seven days more in reserves than what is needed. He noted that by statute a 45-day reserve has to be maintained and that the action requested of the Board would take the reserves to almost 52 days. He said for that reason the percentage increase should be reduced to a lower number. Mr. Eckstrom stated that he asked what the increase would be with a 3.5% increase which amounts to a $4.00 per month increase for enrollee only. He said the $4.00 increase is not significant, but that the Board should do whatever it can in this economy to hold any cost increase to a minimum.

Governor Haley asked Mr. Eckstrom whether he was discussing a 7% increase and if so how many reserve days does that take the State to. Mr. Eckstrom said that brings the State down to 48.4 days of reserves. Governor Haley said like everyone else she is concerned about the State's credit rating and that anything below 60 days would make her nervous. Governor Haley asked Senator Leatherman to address the fact that the General Assembly has already passed a 9.0% increase. Senator Leatherman commented that the amount of the increase is necessary. He stated that next year's budget is going to be a horrible budget. He said that he does not want to keep the contributions so low this year that next year they shoot up to 10% or 12%. Senator Leatherman said that he would rather do it this year and head off that potential for next year. He said he does not want to see all of the increase put on the employees as some people have suggested. He said he will not be able to support Mr. Eckstrom's proposal. Mr. White stated that he echoes what Senator Leatherman said and that he is supportive of the 4.5% because that is what the House has adopted. He said he cannot support Mr. Eckstrom's plan of 3.5%.

In further discussion, Mr. Eckstrom commented that the Board does not have the flexibility the Department of Health and Human Services has in managing Medicaid costs. He said the Board's hands are bound by the Affordable Healthcare Act and there are limits of what can be done to keep the State from coming under the heavy requirements of the Act. However, he said there are things that can be done to contain costs. He pointed out that although Governor Haley did not want to go below a 60-day reserve the statute requires a 45-day reserve. He noted that it has been some time since the State has had a 60-day reserve. He stated that he does not know that this has been a matter of concern for the rating agencies as the reserves have moved down toward the statutory 45-day reserve. Mr. Eckstrom also commented that he has not seen that the 45-day reserve is inadequate. He stated that if the Board approves a 3.5% increase the Budget Office would hold onto the additional 1% and the General Assembly would have use of it in January.

Senator Leatherman commented that the State has the flexibility to give incentives to those employees who are in a real wellness program. He said that is the way healthcare costs can start to be contained. Mr. Eckstrom said that he agreed with Senator Leatherman and noted that those plans are available now, but inducements into the plans need to be developed.

Mr. Loftis stated that he agrees with Mr. Eckstrom in that he does not know if the increase has to be 4.5%. He commented that he has been reminded that this is part of an employment package that costs the State a lot of money. He said that the retirement issue and the health plan issue are usually taken up separately and that it is perhaps a good idea to consider them simultaneously. He asked Governor Haley whether she has considered 3.5% with her staff. Governor Haley stated that she had not because this is the first time that she has heard of the proposal. She said she is concerned about the number of days and she would like to see a two month cushion. She said she has talked to the rating agencies and has told them the State will not do any surprises and it will be very stable and predictable in its approach. She asked the Board members to show the rating agencies that the State is being stable in its approach. She commented that she does not want the increase to be more than it has to be. She further commented that when the matter has been debated in the General Assembly and sent to the Governor, to change what has been done does seem to be somewhat of a surprise. Governor Haley said she is not opposed to the proposal, but the Board needs to be careful about making a quick decision on things like this. Mr. Loftis said that it should be noted that the money will be held in reserve and that it is an odd turn to think that there is any excess money with regard to any of this since the pension fund has unfunded liability of $14 billion. He said that he is inclined to follow Mr. Eckstrom's lead and that if there is excess money it should go toward paying the unfunded liability of the pension plan.

Mr. Loftis further asked what the numbers were for EIP when the legislature debated this issue. Mr. Eckstrom commented that at the time the debate occurred, the legislature made the best decision it could based on the information it had at the time. He said now there is additional information that is more current. He said that the costs for the plan were projected in May, but now it is known with greater certainty what this year's claims experience will be. He said the State is going to incur just over 7.2% increase in claims. He noted that that number is lower than the number that was available when the debate was ongoing in the legislature. Senator Leatherman said that the Board should stay the course and if an adjustment has to be made it should be made next year. He said he would rather have to adjust the number down rather than to have to adjust it up next year. Governor Haley reiterated that the Board needs to be thoughtful in its approach so that the public and the rating agencies are more comfortable with the Board's decisions.

After further discussion, Mr. Eckstrom moved to amend the proposed rate increase to 3.5%. Discussion continued in which Mr. Eckstrom stated that given the rate of unemployment, the decision concerning the health insurance increase is even more important. Governor Haley asked Mr. Eckstrom to consider that the information he is relying on is based on six months of data and not 12 months of data and does not take into account the increased number of claims that are received at the end of the year in November and December. She said to finish out the year and not know 12 months worth of claims would be a gamble that the same trend would not be experienced this year. She said the State could come up short which is what the public was promised would not happen. Mr. Eckstrom said he believes the claims are based on a calendar year and not six months. Stephen Van Camp, EIP Director, said the projection is based on 12 months, but only six months of the year have elapsed. Mr. Van Camp said that EIP projected a 7.02% increase in claims through the calendar year and that right now we are at 6.5%. Governor Haley asked whether that meant that at six months the number is 6.5% to which Mr. Van Camp responded that is correct. Mr. Van Camp said that last year the plan was running under projections until November and December and ended the year meeting the forecast. He cautioned that all of these numbers are forecasts that are subject to dozens of variables. Governor Haley asked whether she was correct in saying the State is at the same point it was this time last year and ended up with the same number to which Mr. Van Camp said that is correct.

Senator Leatherman said in further discussions that he believes State employees would rather have a sound health insurance plan, rather than get a few pennies a month off of their premiums. He said that in the wake of having to pay a hospital bill employees will want to know that they have a health plan that is a good, solid plan. He stated that he will be reluctant to do anything that will remotely affect the health plan.

Mr. Eckstrom restated his amendment to approve a 3.5% employer and employee rate increase. Mr. Loftis seconded Mr. Eckstrom's motion. The motion failed. Mr. Eckstrom and Mr. Loftis voted for the motion. Governor Haley, Senator Leatherman, and Mr. White voted against the motion.

Upon a motion by Senator Leatherman, seconded by Mr. White, the Board approved an overall increase in the combined employer and employee contribution rates of 4.5% (consistent with the amount funded in the FY 2012 Appropriation Act) as indicated on the attachment to the agenda item entitled "State Health Plan Monthly Contribution Rates by Level of Coverage 2011 and Proposed Effective January 1, 2012".

Information relating to this matter has been retained in these files and is identified as Exhibit 10.

State Budget Division: Permanent Improvement Project Overdrafts (Regular Session #2)

In recent meetings, the Board has approved budget increases to projects which had already expended more funds than approved for the projects, resulting in overdrafts or negative balances, on the projects. SC Code Section 2-47-50 clearly states that budget increases are to be approved by the Board and reviewed by the Joint Bond Review Committee (JBRC) prior to the funds being expended.

To address projects that may have overdrafts in the future, the following policy was proposed for adoption by the Board:

> Permanent improvement project overdrafts are projects on the Statewide Permanent Improvement Reporting System (SPIRS) which show the total project expenditures exceeding total project budget authority, resulting in a negative balance. Project

overdrafts may result from errors in accounting entries or from an agency's or institution's failure to request revised budget authority before incurring additional expenditures.

It is the policy of the Budget and Control Board that overdrafts caused by the failure of an entity to request revised budget authority should not occur in any project. If overdrafts for any reason do occur, the agency or institution must report the cause of the overdraft immediately to Budget and Control Board staff. Any agency or institution that has not taken steps to resolve a project overdraft within 60 days of receipt of the monthly SPIRS report showing an overdraft will not be permitted to submit projects for approval by the Budget and Control Board until such steps are taken to resolve the overdraft.

In discussing this matter, Senator Leatherman noted that he does not agree with overages. He commented that the Joint Bond Review Committee (JBRC) has set a policy that it would have three times for an agency to come before the JBRC: first, to get approval to have enough engineering and architectural work done for reasonable estimates; second, to get final approval on the project; and third, prior approval for an overage to take place. He said what is being proposed is in place at the JBRC level. He said if the Board wants to adopt a similar policy a lot more will be needed. He said that he thinks this is a duplication of what is in place.

Mr. Eckstrom commented that what has been seen in the last two meetings is that in spite of the JBRC process there are still many occurrences of cost overruns. Senator Leatherman responded that the projects Mr. Eckstrom spoke of were already in the pipeline. He said JBRC has said it will not change in midstream for those projects that were already in the pipeline. He said he can assure the Board that once those projects leave JBRC and come to the Board, the Board will not see any more cost overruns on projects that were not authorized years back. Mr. Eckstrom further asked whether it would be appropriate to have staff provide the Board with a quarterly report for those situations in which there are transfers from one project that is completed and has an excess that is transferred to another project. Mr. Loftis said that is a different issue. He said what he was concerned about is when a project has extra money and the money is floated to different projects. Senator Leatherman said the Board and JBRC cannot authorize transfers from one project to another. He said when the General Assembly funds a project the funding is specifically for that project and to get funds to another project it has to go back to the General Assembly. Mr. Eckstrom asked Senator Leatherman whether there was a provision that allows up to 10% of funds from one project to be transferred to a project with cost overruns. Senator Leatherman said that he was not aware of that. Governor Haley commented that would be on existing projects not future projects. Senator Leatherman said that the only way a transfer could occur would be for an ongoing project. He said if the project is finished and money is left over neither the agency, the Board, nor JBRC can shift the money to another project the General Assembly did not approve.

Governor Haley reminded the Board that the item is before the Board because South Carolina State University (SCSU) had a couple of projects for which they overspent and the Board was almost forced to bail SCSU out on those projects. She said that this item came about because the Board said this cannot happen again and that something needed to be put in place to ensure that it does not happen again. Governor Haley asked Senator Leatherman how the Board knows going forward that this will not happen again if it happened under the old way. She said she understands that JBRC will take more precaution; however, she asked Senator Leatherman whether there are steps in place that will justify doing that. Senator Leatherman said that JBRC does not approve anything like that now. Governor Haley asked how did it get approved before. Senator Leatherman said that it got approved before because there were old projects that were in the so called pipeline. He said that he can assure the Board that such approvals are not happening and will not happen.

In further discussion, Mr. Loftis said that he is still unclear what happens up to 10%. He asked whether he was correct in understanding that if he had a project that was budgeted for $10 million and it came in at $9 million, he could then take the $1 million that was not spent and transfer it to another project. Carol Routh with the Budget Division said that if the money that is needed to be added to the project is new money that has not been approved by JBRC or the Board for use in any permanent improvement project, it would have to come to the Board and JBRC for approval. Mr. Loftis further asked what has to happen before the additional money is added to the project. Ms. Routh said the agency has to request approval of a budget increase for the project. She noted that this is phase three of the approval process in which the agencies have to come to the Board and JBRC to fund the additional work. Mr. Loftis commented that he does not think he has seen an item like that to which Ms. Routh responded that there have been a few budget increases on the Board’s agenda in the past. She noted there is no request for a budget increase on this agenda for construction purposes, but there is one on the agenda for pre-design work. Mr. Loftis asked Ms. Routh to make a notation for future items that a transfer is being made. Ms. Routh commented that none of the projects on this agenda with exception of the Board's asbestos abatement project involves money being transferred. She said the projects in question all have new money being committed to them that has not been approved for any project before. Mr. Eckstrom asked whether Mr. Loftis was asking for a notation of any fund transfer for a project. Mr. Loftis said that was correct. Mr. Eckstrom further noted that he was not aware that some of the cost overruns were being funded by transfers.

Governor Haley clarified for the Board members that this item only states that the Board will not consider any projects if they are in overdraft. Senator Leatherman said that he is not sure the Board should do that because the agencies may have legitimate reasons for seeking approval and the Board should look at the request. Governor Haley commented that the item is not adding another layer to the process, but putting the schools on notice that if they get in an overdraft situation they will have to deal with it on their own. Senator Leatherman said that he cannot vote for a rule that will not allow for unforeseen circumstances that could not be determined before a project began. He said those instances do occur and the Board should consider those. Mr. Eckstorm pointed out that the policy does not say that an agency cannot request approval.

The Board did not approve the proposed policy for addressing permanent improvement project overdrafts. Governor Haley voted for the item. The remaining Board members voted against the item.

Information relating to this matter has been retained in these files and is identified as Exhibit 11.

State Budget Division: Permanent Improvement Projects (Regular Session Item #3)

With regard to item (n) below, Mr. Eckstrom asked whether now is the time to upfit a building at USC in the current environment to induce the private sector to partner with USC in research. Rick Kelly with USC appeared before the Board and stated that the $15 million request is to upfit one of two university buildings which is being paid from other funds (indirect cost recovery). He said USC is asking permission to use the $15 million to upfit three floors of the building that are now a shell. Mr. Eckstrom stated that it seems like the prospect of private company investment is much less likely now given the downturn in the capital markets. Mr. Kelly pointed out while the economy has struggled over the past few years, research opportunities for USC has increased. He noted that in 2005 USC booked $166 million in funded research and that in 2010 USC booked $218 million in funded research. He said there has been a steady increase in research funding even in the slow economy and for this year USC will book nearly $228 million. Mr. Kelly said using the $15 million to improve the three floors will allow USC to grow more research dollars. Governor Haley asked Mr. Kelly whether this was money that USC already has to which Mr. Kelly replied that is correct. Mr. Eckstrom asked what the limitations on the use of the money are. Mr. Kelly said if Mr. Eckstrom is asking whether USC can spend the money anywhere, he thinks the answer is yes. Mr. Kelly also said that if Mr. Eckstrom is asking whether a research university needs to invest research money back into research in order to be successful, the answer is yes. Mr. Kelly commented that the moment a research university stops putting money into research and supporting research through facilities, seed money, or whatever is needed, faculty will stop coming to that university. He said when faculty stops coming there is an inability to get the large research grants USC has experienced over the last three years.

Mr. Eckstrom further asked Mr. Kelly what percentages of USC's grants are federal versus private. Mr. Kelly said he did not know, but he thinks most of it would be federal dollars. Mr. Eckstrom inquired whether USC has adjusted its expectation based on what is going on in Washington with regard to potential budget cuts. He said he is thinking about the shifting conditions the State is facing that were not present two weeks prior. Mr. Loftis commented that the Board should not make decisions based on a few days. He said if there is a concern about what is happening in Washington, funding for things should have ceased in 2007. Mr. Loftis said if a project looks like a prudent investment it should go forward. He said he thinks this is a good project and the Board cannot worry about what happened in the markets the day before because it is a continuation of dysfunction in Washington.

With regard to item (e), Mr. Loftis indicated that he had questions about the item for DOT and about the article that appeared in the day's paper. Mr. Robert St. Onge, DOT director, appeared before the Board on this matter. Mr. Loftis asked Mr. St. Onge to provide an update on the cash flow situation at DOT. Mr. St. Onge said that DOT has had a declining cash flow for the past year. He said a combination of things over the past summer has caused them to not be able to pay contractors as quickly as they would like. He noted that in the past they have paid contractors in 30 days with approved invoices and in many cases quicker than that. He said they considered a number of options when they realized they would have to stretch out their payments. He said they have come up with a plan and that they have talked with all of the contractors with whom money is owed. He stated that they have asked the federal government with regard to the advanced construction area to pay DOT ahead of when they would normally be paid on projects that are already completed that are SIB related projects. He said the federal government is studying the idea and he will know shortly whether DOT will receive a $50 million infusion from the federal government. He said that will take a lot of pressure off DOT and they will see a cash flow situation that is greatly improved. Mr. St. Onge said he is confident that DOT will not be in default and everyone who works for them will get paid. He further stated that the good news is that DOT is getting work done that needs to be done and is also providing work for an industry that needs it. He said DOT takes seriously the fact that they have had to ask contractors to wait for 45 days instead of 30 days before getting paid. Governor Haley commented that she has meet with Mr. St. Onge and that she thinks it is very important for agencies to understand both their budgets and cash flow issues as well. She stated that a cash flow situation should never intrude on a contractor. She said Mr. St. Onge has some provisions in place to prevent this from happening again and a cash flow situation should not happen that leaves contractors hanging.

Senator Leatherman said the issue for him is the timeliness of the payments. He said that contractors are facing tough times like everyone else. He asked if there are times when the contractors are not getting paid according to the terms of their contract. Mr. St. Onge said that DOT's contracts are neutral on timing in terms of when DOT has to pay its contractors. He noted, however, that DOT does follow guidance from the State that tells them when they have to pay. Senator Leatherman asked Mr. St. Onge whether he was saying that DOT could pay their contractors whenever they wanted. Mr. St. Onge said that he has been told that DOT's contracts are neutral on timing and that based on guidance from the State they have tried to pay within 30 days when an approved invoice has been received. Senator Leatherman asked whether there are any instances in which DOT is not meeting the 30-day norm to which Mr. St. Onge said yes.

Senator Leatherman said that DOT is putting a hardship on the contractors. Governor Haley said policies have been put in place to get DOT back to the 30-day window and to make sure that the cash flow situation does not happen. Senator Leatherman said he appreciates the fact that contracts have been put in place, but there are still contractors who may not get their money. Governor Haley asked Mr. St. Onge whether he has contacted the contractors. Mr. St. Onge said that they have contacted the contractors in different ways for the contactors to know that if they have a problem they can come and talk with DOT and DOT will work with them. Senator Leatherman asked Mr. St. Onge whether working with the contractors means that DOT is going to pay them. Mr. St. Onge replied that if the contractors have a problem that needs to be resolved and timely payment is vital to the resolution of the issue; DOT will move them up in the cue to be paid. Senator Leatherman stated that the Board should instruct DOT or any other agency that has a contract with a supplier or vendor to pay them in accordance with normal payment procedures and terms. Senator Leatherman said that he is not willing to hear that some of the contractors are not being paid as they have been paid in the past. He said the agencies should be told to find a way to pay contractors. Governor Haley said the agencies have been told that. Senator Leatherman stated that is not what he is hearing. Governor Haley asked Mr. St. Onge when everyone would be paid. Mr. St. Onge said he is not prepared to say when the 350 projects and 87 contractors will be paid by a certain date.

Mr. Loftis noted that DOT's plan is contingent on a number of things on which one cannot count. He commented that he is not outside in the heat all day, every day like DOT's contractors. He said it is inexcusable that the State owes anybody anything. He said the State has a $22.5 billion budget, 100 agencies, and 50,000 employees and it should be able to make this happen. He said Mr. St. Onge's staff was wise in coming to him and asking for an interagency transfer. Mr. Loftis said that on any day some agencies are flush with cash while others are low in cash. He said the State should be able to advance cash around on guaranteed receipts like those that come from the federal government. He noted that any business has a line of credit and that can be done in his office. He said that if the interagency transfer is not done then the contractors will be strung out. He said there is no reason why this could not happen in a week's time and the bills are paid. Mr. Loftis further noted that payments were not made to the State Infrastructure Bank and that is unacceptable. He said there is a promise to pay people, but until the money is in hand they have not been paid. He stated that the Board should give his office the authority to make an interagency transfer and that proper notes are put in place so that everything is legal and transparent. He said this is not a significant event, but it is something that any multi-billion dollar business would do on a regular basis. He said another downside to not doing this is that agency heads may hide money throughout their agency. He said he wants to be able to loan money to an agency from the State treasury when the agency has a cash flow problem and pay it back. He said that it is a simple transaction. Governor Haley noted that the item was not on the agenda and cannot be added to the agenda unless it has already been stated to be added. She said that Mr. Loftis can talk with Mr. St. Onge going forward, but the Board cannot address an item that is not on the agenda. Mr. Loftis responded that he wrote Governor Haley in March to express that the Board does not have any rules that governs its meetings. He said the only thing the Board has is traditions and customs which are changed on a regular basis.

Mr. Loftis further stated that this is an important issue and that the contractors who work in 100º heat should get paid and the Board should be able to consider this matter. Governor Haley said this is not about the contractors getting paid to which Mr. Loftis said that it was about the contractors getting paid. Governor Haley asked Mr. Loftis whether he knew about the issue the day before the Board meeting to which Mr. Loftis said that he has known about it for weeks. Governor Haley said that Mr. Loftis could have added the item to the agenda. She commented that there is protocol the Board follows. She noted that the matter has been discussed and that he can have further conversations with Mr. St. Onge after the meeting, but that the Board would not add the item to the agenda and change the way the Board does things just because something has gone wrong or the Board will do so constantly. Governor Haley said that Mr. St. Onge should be allowed to handle DOT as needed and that he knows the issue is to be resolved. She said that Mr. St. Onge will talk with Mr. Loftis, but the Board will not start adding agenda items just because. She commented that it is poor policy to do so. Mr. Loftis noted that the Governor's Office did not respond to his letter raising questions about the legal authority of the Executive Director or the way the Board operates. He said now the Board is faced with a situation in which Governor Haley makes up the rules like the politburo. He said the Board operates by custom and not by *Robert's Rules of Order* or anything else. Mr. Loftis stated that this is a significant and serious issue and that for the sake of the people of South Carolina the Board should consider it.

He noted that the Board argued for weeks about a $70,000 matter concerning South Carolina State University and the Board should consider the issue of paying the hardworking people of this State.

Mr. Eckstrom commented that as a matter of professional courtesy details about proposals should be given in advance of the meetings in order for the Board to consider those details. Mr. Eckstrom stated that the last time an interagency loan was made it was made to an agency in Charleston and the Board is still awaiting repayment of that $9.2 million loan three years later. He said the Board cannot be casual about interagency loans and not have a well thought out repayment plan. He said the Board should not casually cede that authority to any one member. Governor Haley said that when Mr. Loftis sent his letter she advised him that he could bring this matter as an agenda item before the Board. Mr. Loftis said he has no record of that.

Upon a motion by Senator Leatherman, seconded by Mr. White, the Board approved the following permanent improvement project establishment requests and budget revisions which have been reviewed favorably by the Joint Bond Review Committee:

(a) Summary 1-2012: JBRC Item 1. Coastal Carolina University
Project: 9587, Tennis Complex Construction
Request: Establish project and budget for $30,000 (Other, Renovation Reserve/Plant Expansion funds) to begin design work to construct a new tennis complex at Coastal Carolina. The new facility will include twelve tennis courts, coaches' offices, a press box, locker rooms, restrooms, equipment storage, lighting, scoreboards, a public address system, and bleachers. The university currently has six tennis courts for tennis team use and two courts for student use and recreational classes. The two student courts will be demolished to renovate the baseball stadium because of their proximity to the outfield and the six tennis team courts are insufficient and have only a small equipment storage area and portable bleachers. Increased court availability is needed due to student growth. Once the new complex is completed, the six tennis team courts will become available for general student and recreational use.

(b) Summary 1-2012: JBRC Item 2. Coastal Carolina University
Project: 9588, Science Annex II Construction
Request: Establish project and budget for $210,000 (Institution Bond funds) to begin design work to construct a second Science Annex at Coastal Carolina. The annex will be approximately 40,000 square feet and will house six large classrooms, nine teaching labs, six small research labs and 40 faculty offices. The College of Natural and Applied Sciences is the largest of the university's

four academic colleges. The science departments are spread throughout several locations on campus. One new science annex is currently under construction and construction of this second science annex will provide needed labs, classrooms and faculty offices to accommodate the expanding student population and faculty growth, which have each increased approximately 50% in the past five years. The source of funds for the pre-design project is interest earned on 2010 Institution Bonds, which will not result in a student fee increase.

(c) Summary 1-2012: JBRC Item 3. Adjutant General
Project: 9764, Greenville Field Maintenance Shop Construction
Request: Establish project and budget for $186,195 (Federal funds) to begin design work to construct a new field maintenance shop for the National Guard in Greenville. The new 49,165 square foot facility will include maintenance work bays, administrative areas, parking, access roads, fencing, lighting, and related amenities. The three maintenance facilities this new one will replace are not adequate to accommodate the equipment assigned to the units. The shops are in poor condition, do not meet current building codes, and are one quarter the size authorized to support the facilities' missions. The slopes of the existing sites cause surface runoff to flow into workbays, creating safety hazards and causing lost maintenance hours. Continued use of inadequate maintenance facilities will reduce the training and mobilization readiness of the units.

(d) Summary 1-2012: JBRC Item 4. Budget and Control Board
Project: 9902, Capitol Complex Lot Electrical Infrastructure Renovation
Request: Establish project and budget for $31,025 (Other, Depreciation Reserve funds) to begin design work to renovate the electrical infrastructure for the eight Capitol Complex buildings. The work will include removing and replacing transformers serving the buildings, demolishing existing switchgear, installing new conduit, and other related electrical work. The existing electrical service for the Capitol Complex is approximately 40 years old, employs an obsolete and rarely used voltage, and replacement parts are difficult to find. The new service will be more reliable and efficient, employing a more standard voltage, and will allow for more effective maintenance.

(e) Summary 1-2012: JBRC Item 5. Department of Transportation
Project: 9719, Headquarters Building Elevator Machine Upgrade
Request: Establish project and budget for $4,050 (Other, State Highway Funds) to begin design work to upgrade the elevators in the Department of Transportation's headquarters building. The work will include replacing the three passenger elevator machines. The passenger elevator controls were replaced in 2000, but the machines were not replaced. The elevator machines are 34 years old, replacement parts are no longer manufactured, and replacement parts are only available from salvage yards.

(f) Summary 1-2012: JBRC Item 6. Department of Transportation
Project: 9720, Greenville District 3 Office Building Elevator Upgrade
Request: Establish project and budget for $5,400 (Other, State Highway Funds) to begin design work to upgrade the elevators in the Department of Transportation's Greenville District 3 Office Building. The upgrade will include replacing the controller and motors and upgrading the car controls on each floor of the five-story building. The elevators are 36 years old and original to the building. Elevator replacement parts are no longer available and can only be found in salvage yards.

Increase Budget for A&E Design

(g) Summary 1-2012: JBRC Item 9. University of South Carolina
Project: 6079, Close-Hipp Building Renovation
Request: Increase budget to $781,250 (add $331,250 Federal funds) to continue pre-design work for renovation of the Close-Hipp Building at USC for the Department of Justice. When the project was submitted for pre-design work in June 2010, USC anticipated the project would follow a traditional design-bid-build construction approach. During development of pre-design, the program and anticipated scope of work were evaluated against a tight schedule and the project delivery method was changed to Construction Management at Risk, which allows early involvement of the contractor in rigorous cost controls during design that will mitigate the risk of future construction costs. In addition, program items, including costs to renovate to the new International Building Code, detailed analyses of LEED credits and cost implications, systems and design options for interior efficiencies, and infrastructure services upgrades, are needed to provide a more accurate cost estimate for construction funding. The increase will fund more extensive documentation by the design team during the schematic design phase, the addition of pre-design services and specialty consultants to provide information on these complex items, and the addition of Construction Management at Risk for pre-design services.

Establish Construction Budget

(h) Summary 1-2012: JBRC Item 10. Clemson University
Project: 9894, Indoor Football Practice Facility Construction
Request: Increase budget to $10,000,000 (add $9,850,000 Other, Private funds) to construct an approximately 80,000 square foot indoor football practice facility at Clemson. The project was established in May 2011 for pre-design work which is now complete. The facility will include a full-sized synthetic turf football field, a coach's tower, a training room, video recording platforms, and lighting and sound systems. The football program currently has no adequate indoor location for practice. The facility will benefit the football program by improving the efficiency in scheduling and in attracting the best student athletes. The building will also provide refuge for all groups participating in

outdoor activities when dangerous weather alerts are issued. Energy savings and conservation measures will include the installation of high efficiency mechanical equipment, pumps and motors. The agency reports the total projected cost of this project is $10 million and additional annual operating costs of $240,000 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is November 2011 and for completion of construction is January 2013. (See Attachment 1 for this agenda item for additional annual operating costs.)

(i) Summary 1-2012: JBRC Item 11. University of South Carolina
Project: 6073, Maxcy College Renovation
Request: Increase budget to $3,750,000 (add $3,693,750 Other, Housing Maintenance Reserve funds) to renovate the 44,662 square foot Maxcy College residence hall at USC. The project was established in December 2009 for pre-design work which is now complete. The renovation will include replacing the mechanical system and converting the facility to an International House Living/Learning Center, including renovating an existing classroom, creating a dining/multipurpose space and accommodations for two visiting scholars, and reconfiguring two student rooms for improved ADA accessibility. The mechanical system will be replaced due to the current system's inability to adequately control humidity levels. The remaining renovations will support the living/learning environment, which will foster interaction among students of varied nationalities and more fully integrate educational opportunities into the students' residential life. The facility will be renovated to LEED Silver Certification and will include sustainable sites, water efficiency, energy and atmosphere, materials and resources, and indoor environmental quality measures. The LEED cost benefit analysis shows a positive cost benefit of $277,654 over 30 years. The agency reports the total projected cost of this project is $3,750,000 and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the construction contract is March 2012 and for completion of construction is July 2012.

(j) Summary 1-2012: JBRC Item 12. Medical University of South Carolina
Project: 9817, Hollings Cancer Center Third Floor Mammography Clinic Renovation
Request: Increase budget to $2,200,000 (add $2,167,000 Other, Clinical Revenue funds) to renovate space on two floors of the Hollings Cancer Center to support the Mammography Clinic at MUSC. The project was established in May 2011 for pre-design work which is now complete. The renovation will consolidate the Mammography Clinic on the third floor and the Radiation Oncology Clinic on the first floor of the center. The work on both floors will include reconfiguring existing spaces, modifying the mechanical and electrical systems, and providing new interior finishes. The renovation will support the clinical trials of the new College of Medicine Dean in mammography technologies and will provide for areas for patient privacy, for logical work flow, and for integration

of research space with clinical areas. Energy savings and conservation measures will include the installation of energy efficient lighting, low flow faucets and plumbing fixtures, the use of local materials, and the recycling of construction waste. The agency reports the total projected cost of this project is $2.2 million and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the construction contract is December 2011 and for completion of construction is October 2012.

(k) Summary 1-2012: JBRC Item 13. State Board for Technical and Comprehensive Education

Project: 6016, Trident - Nursing and Science Building Construction

Request: Increase budget to $30,000,000 (add $29,550,000 Other, Local County funds) to construct a new nursing and science building at Trident Tech. The project was established in June 2010 for pre-design work which is now complete. The 91,590 square foot facility will house nursing and science labs, general classrooms, study and meeting space for students, faculty offices, and the Nursing Resource Center. Trident Tech is the largest provider of nursing education in the Low Country. Enrollments in Nursing and pre-Nursing programs have increased by 554%, Allied Health programs and pre-programs have increased by 500% and biology programs have increased by 422% since the Health Sciences Building was constructed in 1989. The college does not have the space to accommodate the community's need or students' interests in these programs. The facility will be constructed to LEED Silver certification and will include water efficiency, energy and atmosphere, and indoor environmental quality measures. The LEED cost benefit analysis shows a positive cost benefit of $11,194,613 over 30 years. The agency reports the total projected cost of this project is $30 million and additional annual operating costs ranging from $717,300 to $775,831 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is April 2012 and for completion of construction is July 2013. (See Attachment 2 for this agenda item for additional annual operating costs.)

(l) Summary 1-2012: JBRC Item 14. State Board for Technical and Comprehensive Education

Project: 6021, Trident - Building 700/800 Reroofing

Request: Increase budget to $850,000 (add $837,250 Other, Local Institutional funds) to replace the roof on Building 700/800 at Trident Tech. The project was established in September 2010 for pre-design work which is now complete. The work will include removing the existing roof and insulation, repairing the metal deck, installing new roofing and insulation, and sealing the joints at the top of the building. The existing roof is 32 years old and leaks, causing damage to the building's interior finishes. Numerous repairs have been made, but the roof is at the end of its intended life. Energy savings and conservation measures will include installing a highly reflective roof to decrease heat load, replacing sealant joints on the building envelope, and increasing insulation to increase energy efficiency. The agency reports the total projected cost of this project is $850,000 and annual operating cost savings ranging from $3,510 to $3,796 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is March 2012 and for completion of construction is September 2012. (See Attachment 3 for this agenda item for annual operating cost savings.)

(m) Summary 1-2012: JBRC Item 15. Budget and Control Board
Project: 9900, Sumter Street Building Asbestos Abatement
Request: Increase budget to $430,500 (add $406,500 - $333,021 Other, Depreciation Reserve and $73,479 Other, Manville Settlement funds) to abate asbestos in the Sumter Street Building. The project was established in June 2011 for pre-design work which is now complete. The work, currently in process under an emergency procurement, includes abating asbestos in the floor tiles, ceiling tiles and damaged gypsum board in identified areas, replacing the ceiling tiles, floor tiles and light fixtures, and moving tenants out of the building and back after abatement is completed. The abatement and emergency procurement were needed to ensure the health and welfare of tenants and visitors to the building when the ceiling tiles tested positive for asbestos. Energy savings and conservation measures will include the installation of energy efficient lighting and a reduced number of lighting fixtures. The agency reports the total projected cost of this project is $430,500 and annual operating cost savings of $6,472 will result in the three years following project completion. The agency also reports the date for execution of the construction contract was June 2011 and for completion of construction is September 2011. (See Attachment 4 for this agenda item for annual operating cost savings.)

(n) Summary 5-2011: JBRC Item 9. University of South Carolina
Project: 6080, Discovery I Third, Fourth and Fifth Floors Upfit
Request: Increase budget to $15,500,000 (add $15,342,500 Other, Grant Generated funds) to complete the upfit of the Discovery I building at USC. The project was established in December 2010 for pre-design work which is now complete. The building was constructed in 2008 as shell space and has been partially built out on the first and second floors. The work will include completing the build out and equipping for those floors to allow full occupancy and research capability for existing occupants. It will also include upfitting the remaining three floors for Centers of Economic Excellence Endowed Chairs in Cancer Therapeutics, Healthful Lifestyles, and Rehabilitation and Reconstruction and to provide offices, labs and research facilities for research staff and faculty in other health and medical areas. The upfit will be constructed to LEED Silver Certification and will include sustainable sites, water efficiency, energy and atmosphere, and indoor environmental quality energy savings and conservation measures. The LEED cost benefit analysis shows a positive cost benefit of

$2,343,000 over 30 years. The agency reports the total projected cost of this project is $15.5 million and additional annual operating costs of $542,230 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is May 2012 and for completion of construction is July 2013. (See Attachment 5 for this agenda item for additional annual operating costs.)

All Board members, with exception of Mr. Eckstrom, voted for the item. Mr. Eckstrom voted against the item stating he was voting against the item due to the timing of the item.

Information relating to this matter has been retained in these files and is identified as Exhibit 12.

State Budget Division: Real Property Acquisitions (Regular Session Item #4)

Upon a motion by Senator Leatherman, seconded by Mr. White, the Board approved the following real property acquisition as recommended by the State Budget Division:

(a)	**<u>Agency</u>:**	**Coastal Carolina University**
	Acreage:	N/A - This acquisition is for the 7,884 square foot building only, which is located on a portion of a 14.75± acre tract being donated to Coastal Carolina in (b) below.
	Location:	At 204 University Boulevard in Conway
	County:	Horry
	Purpose:	To provide office and medical care space for the Student Health Services and Student Counseling Departments.
	Appraised Value:	$1,050,000
	Price/Seller:	$803,773 / Conway Hospital, Inc.
	Source of Funds:	Other, One Cent Sales Tax
	Project Number:	H17-9579
	Environmental Study:	Approved
	Building Condition Assessment:	Approved
	Additional Annual Op Cost/SOF:	The university currently leases and maintains the property. Annual operating cost savings of $73,450 paid from the operating budget supported by tuition will result after acquisition.
	Current Year Property Tax:	$332
	Approved By:	CHE on 5/17/11; JBRC on 8/2/11
	Additional Information:	This request also includes approval on an increase to the permanent improvement project of $804,000

		from the fund source noted above.
(b)	**Agency:**	**Coastal Carolina University**
	Acreage:	14.75± acres
	Location:	Adjacent to University Boulevard in Conway
	County:	Horry
	Purpose:	To construct a 630-space parking lot, a new public safety facility and provide the land for the Student Health Services Building to be purchased in (a) above.
	Appraised Value:	N/A
	Price/Seller:	Donation / Coastal Educational Foundation
	Source of Funds:	N/A
	Project Number:	H17-9586
	Environmental Study:	Approved
	Building Condition Assessment:	N/A
	Additional Annual Op Cost/SOF:	No additional annual operating costs are anticipated from the acquisition as the developed areas of property are already maintained by the University. Construction of the parking lot and public safety facility are estimated to cost $1.4 million and $1,640,000, respectively, and will be funded with a combination of Other, Renovation Reserve/Plant Expansion, Parking Operations and One Cent Sales Tax funds.
	Current Year Property Tax:	N/A
	Approved By:	CHE on 6/20/11; JBRC on 8/2/11

With exception of Mr. Eckstrom, all Board members voted for this item. Mr. Eckstrom abstained from voting on the item.

Information relating to this matter has been retained in these files and is identified as Exhibit 13.

Division of General Services: Commission on Higher Education Lease at 1122 Lady Street in Columbia (Regular Session Item #5)

The South Carolina Commission on Higher Education (CHE) requested approval to sublease from NBSC, a division of Synovus Bank (NBSC) 23,461 square feet, comprising a portion of the 2nd floor and the entire 3rd floor, at the NBSC Building located at 1122 Lady Street in Columbia. The proposed leased space is a portion of space leased to NBSC by C&K Carolina

LLC, a Delaware limited liability company (Owner).

Presently, CHE leases 23,417 square feet at 1333 Main Street at an annual cost of $366,204.75 under a lease expiring August 30, 2011. Additionally, the lease is subject to annual increases in operating expenses, which amount was $19,213.67 last year. The total annual cost of CHE's current lease, including operating expense increases, is $385,418.42 ($16.46 per square foot).

The new lease was negotiated after vacant state space options were considered, state agencies were contacted to verify no adequate state space was available, and a commercial lease solicitation was issued. The lease term will be eight years ten months commencing September 1, 2011 and ending June 30, 2020, the expiration of the lease between NBSC and the Owner. Rent will be $21,666.67 per month or $260,000.04 per year ($11.08 per square foot rounded) for the first three years of the lease; thereafter, rent increases to $11.51 per square foot (rounded) for years four through six, and to $11.93 per square foot (rounded) beginning in year seven through the end of the term. In addition to rent, beginning at the end of the second year, CHE will additionally be responsible for cumulative annual increases in operating costs, which increases are to be based on 20,000 square feet and capped at three percent per year.

NBSC will make all renovations to the leased space up to $75,000. In addition, NBSC is providing a leasing incentive of six months free rent ($130,000.02). Moving costs to relocate to 1122 Lady Street are estimated to total $95,000. The proposed lease will save CHE an estimated $963,000 over the term compared with its current lease and $215,450 over the term compared with the proposal for a new lease at its current location. NBSC will provide 20 parking spaces in the attached underground garage at a cost of $42 per parking space monthly. CHE will continue to have its employees reimburse the entire cost of parking. Additional parking for employees is available at various rates in multiple garages within one block.

The maximum rent over the term of the lease, assuming operating expenses increase at three percent per year beginning at the end of the second year, is as follows:

Year	Rent	Annual Rent Rate/SF	Operating Expense Increases (estimated)	Total Cost (estimated)	Total Annual Cost/SF
1	$ 130,000.02	$ 5.54	$ 0.00	$ 130,000.02	$ 5.54

2	$ 260,000.04	$11.08	$ 3,846.96	$ 263,847.00	$11.25
3	$ 260,000.04	$11.08	$ 7,862.96	$ 267,863.00	$11.42
4	$ 270,000.00	$11.51	$12,088.00	$ 282,088.00	$12.02
5	$ 270,000.00	$11.51	$16,349.00	$ 286,349.00	$12.21
6	$ 270,000.00	$11.51	$20,738.00	$ 290,738.00	$12.39
7	$ 279,996.00	$11.93	$25,115.00	$ 305,111.00	$13.01
8	$ 279,996.00	$11.93	$29,771.00	$ 309,767.00	$13.20
9 (10 months)	$ 233,333.30	$9.95	$28,802.70	$ 262,136.00	$11.17
Term Total	$2,253,325.40			$2,397,899.02	
Term Average	$ 250,369.49	$10.67		$ 266,433.22	$11.36

Comparables of similar state agency office space leased in Downtown Columbia are as follows:

Lease Date	Agency/Location	Rate/SF
7/10	Budget and Control Board, 1201 Main Street	$12.86
6/09	Workers Compensation Commission, 1333 Main Street	$14.25
9/08	Office of Regulatory Staff , 1401 Main Street	$13.54

CHE has adequate funds for the lease according to a Budget Approval Form dated July 26, 2011, which also includes a multi-year plan. The space allocation of the new lease is 524 square feet for each of the 43 employees to be housed at 1122 Lady Street. This includes all office space for employees as well as visiting commission members, conference rooms, library, training rooms, reception areas, copy/fax area, storage, file cabinets, work areas, break room/kitchenette area, computer server room and common areas.

No option to purchase the property is included in the lease. 1122 Lady Street was constructed in 1970. An environmental assessment dated April 7, 2006 recommends no further assessment is necessary. The lease was approved by Dr. Garrison Walters, Executive Director of the Commission on Higher Education, by Byron Coffin, Director of Regional Finance for NBSC, a division of Synovus Bank, and by Kevin Collins, Chief Financial Officer for Owner. The lease was approved by the Joint Bond Review Committee at its August 2, 2011 meeting.

Governor Haley commented that she knows this item and regular session item #6 saves money and for that reason she is not going to oppose the item. She commented, however, that she has asked multiple times for a list of property that the State owns because there should be no vacant public property. She further stated the State should not be in the habit of entering into private leases. She said until a list of public property is produced the Board should defer consideration of private leases. Ms. Kitzman commented that the list has just recently been completed and the report is available. Ms. Kitzman noted that each time a commercial lease is considered, state-owned space is considered. Senator Leatherman said the next project was approved by JBRC based upon the space the DOR is leaving is subsequently occupied. He said that JBRC has tightened its policy and agencies will not be able to get carte blanche on leases or new construction.

Upon a motion by Senator Leatherman, seconded by Mr. White, the Board approved the proposed eight year ten month lease for the Commission on Higher Education at 1122 Lady Street in Columbia.

Information relating to this matter has been retained in these files and is identified as Exhibit 14.

Division of General Services: Department of Revenue Lease at 300 Outlet Pointe Boulevard in Columbia (Regular Session Item #6)

The South Carolina Department of Revenue (DOR) requested approval to lease from Marketplace Development, LLC (Landlord) 158,988 square feet at Market Pointe Centre (formerly Outlet Pointe Mall) located at 300 Outlet Pointe Boulevard in Columbia. Landlord is a South Carolina limited liability company with its principal office in Columbia, South Carolina.

Presently, DOR leases 91,949 square feet at Market Pointe Centre under four leases at an annual cost of $1,000,616.04 for FY 2012 plus electricity charges of approximately $144,000 annually. Additionally, one lease is subject to annual increases in operating expenses, which amount was $15,228 last year. Three leases at Market Pointe Centre expire June 30, 2014 and one lease expires May 31, 2014. DOR also occupies 100,079 square feet of state-owned space at the

Columbia Mills Building in Columbia at an annual cost of $1,028,699.64 plus additional and special utility costs of approximately $310,460 annually. Collectively, DOR's projected annual cost for all occupied space in FY 2012 is approximately $2,441,471.66 ($12.71 per square foot average). The proposed lease at Market Pointe Center will allow DOR to consolidate its operations in Columbia at one location and realize an overall reduction in occupied space of 33,040 square feet.

The new lease was negotiated after a solicitation for space was issued. The lease term will be ten years with the commencement date estimated to be October 2012. Rent will be $153,555.91 per month or $1,842,670.92 per year ($11.59 per square foot rounded) for the first year of the lease; thereafter, rent increases 2 percent per year (rounded) through the remainder of the term. DOR will obtain new cubicles from Prison Industries, which will supplement the cubicles DOR will move from Columbia Mills and those currently at Market Pointe Centre. The estimated cost of new cubicles is $810,000, which amount DOR will have funded through the State Treasurer's Office Master Lease Program for a term of three years with interest accruing at a rate of 1.57% annually ($22,399.74 total interest). In addition to rent, DOR will continue to be responsible for its electricity charges, estimated to cost $255,971 annually. All other operating costs are included with rent and DOR is not responsible for any increases of such expenses.

Landlord will make all renovations to the leased space and will provide adequate surface parking adjacent to the building for all employees and visitors. As a leasing incentive, the landlord will forgive the balance owed by DOR of approximately $52,000 for cubicles financed under leases currently in place at Market Pointe Centre. Moving costs to relocate from Columbia Mills to Market Pointe Centre are estimated to total $440,000; however, DOR anticipates saving $132,950 annually in security and office expenses as a result of consolidating locations. The proposed lease will save DOR an estimated $4,240,833.26 over ten years. DOR plans to move out of Columbia Mills and into the additional space at Market Pointe in phases prior to the commencement date, which would result in additional savings.

The maximum rent over the term of the lease with estimated electricity charges is as follows:

Year	Rent	Rent Rate/SF	Electricity (estimated)	Total Cost (estimated)	Total Cost/SF
1	$ 1,842,670.92	$ 11.59	$255,971.00	$ 2,098,641.92	$ 13.20
2	$ 1,879,238.16	$ 11.82	$255,971.00	$ 2,135,209.16	$ 13.43
3	$ 1,917,395.28	$ 12.06	$255,971.00	$ 2,173,366.28	$ 13.67
4	$ 1,955,552.24	$ 12.30	$255,971.00	$ 2,211,523.24	$ 13.91
5	$ 1,995,299.40	$ 12.55	$255,971.00	$ 2,251,270.40	$ 14.16
6	$ 2,035,046.40	$ 12.80	$255,971.00	$ 2,291,017.40	$ 14.41
7	$ 2,076,383.28	$ 13.06	$255,971.00	$ 2,332,354.28	$ 14.67
8	$ 2,117,720.16	$ 13.32	$255,971.00	$ 2,373,691.16	$ 14.93
9	$ 2,160,646.92	$ 13.59	$255,971.00	$ 2,416,617.92	$ 15.20
10	$ 2,203,573.68	$ 13.86	$255,971.00	$ 2,459,544.68	$ 15.47
Ten year total	**$20,183,526.44**			**$22,743,236.44**	
Ten year average	**$ 2,018,352.64**	**$ 12.70**		**$ 2,274,323.64**	**$ 14.31**

Comparables of similar state agency office space leased in the Columbia area are as follows:

Lease Date	Agency/Location	Rate
11/10	Vocational Rehabilitation, 1244 Boston Avenue, Cayce	$12.86
9/08	Public Service Commission, 101 Executive Center Dr., Columbia	$14.19
7/07	Health & Environmental Control, 8901 Farrow Road, Columbia	$16.00

DOR has adequate funds for the lease according to a Budget Approval Form dated July 21, 2011, which also includes a multi-year plan. The space allocation of the new lease is 212 square feet for each of the 750 employees housed at Market Pointe Centre. This includes all office space, conference rooms, reception areas, copy/fax area, storage, file cabinets, work areas, break room/kitchenette areas, computer server room and common areas.

No option to purchase the property is included in the lease. Market Pointe Centre was constructed in 1984. An environmental assessment dated January 6, 2000 recommends no further assessment is necessary. The lease was approved by James F. Etter, Director of the Department of Revenue, and by Alfred L. Saad, III on behalf of Landlord. The lease was approved by the Joint Bond Review Committee at its August 2, 2011 meeting contingent upon the Division of General Services obtaining rental agreements to backfill all space being vacated at the Columbia Mills

Building by the Department of Revenue.

Ms. Kitzman noted the Department of Labor, Licensing, and Regulation (LLR) is planning to move into the space once it is vacated by the DOR. Senator Leatherman asked Ms. Kitzman whether JBRC has said that DOR's move is contingent upon its present location being rented. Ms. Kitzman acknowledged that was correct. Senator Leatherman said that his point is that JBRC will no longer allow an agency to move out of a building and leave it vacant. Governor Haley noted that LLR will backfill the space.

Upon a motion by Mr. White, seconded by Senator Leatherman, the Board approved the proposed ten year lease for the Department of Revenue at 300 Outlet Pointe Boulevard in Columbia.

Information relating to this matter has been retained in these files and is identified as Exhibit 15.

Division of General Services: State Ports Authority Conveyance of 317.51± Acres in Port Royal to Port Royal Redevelopment Group, LLC (Regular Session Item #7)

The SC Code of Laws Section 54-3-700 requires certain actions concerning the State Ports Authority (SPA) and its marine terminal at Port Royal consisting of 51.6 acres of highland and 265 acres of marshlands. In addition to the cessation of marine operations, the statute directs the SPA to sell its real and personal property in Port Royal in a "manner that is financially responsible and advantageous to the State Ports Authority." Since the property was not sold by December 31, 2009, the property was transferred to the Board for sale. The Board is vested with all of the SPA's fiduciary duties to the SPA and SPA bondholders. The sale proceeds are to be retained by the SPA unless, upon petition by the Town of Port Royal, the Board allocates up to five percent of the funds to pay for infrastructure needs directly associated with and necessitated by the closing and sale of the terminal. At its meeting on December 15, 2009, the Board authorized the SPA and its staff to serve as agents of the Board and to work with the Division of General Services to continue the effort to market the Port Royal property, effective December 31, 2009.

The properties were put out for bid by the SPA in 2007 and one bidder met the minimum criteria. A contract was negotiated, approved by the Board and executed by the SPA; however a closing of the sale failed to occur. In March 2008, following the failed sale, the property was placed with NAI Avant to market and sell. Since that time, NAI Avant's national marketing efforts have resulted in two negotiated contracts. The first contract was approved by the Board at its September 29, 2010 meeting, but ultimately failed to close. The present contract negotiated with the SPA is with Port Royal Redevelopment Group, LLC (Buyer), a South Carolina limited liability company. Buyer's lender has issued a loan commitment letter to Buyer for the purchase of the property, and the SPA is satisfied that Buyer is a qualified purchaser financially able to complete the purchase.

The contract with Buyer is for the sale of approximately 51.44 acres of highland and approximately 265.91 acres of marshlands for a price of $17,000,000 to be paid in full at closing. The remaining 0.16 acre consists of an outparcel on which a title defect was discovered and the SPA is trying to obtain clear title. If the SPA obtains clear title, the outparcel will also be conveyed to Buyer as part of the consideration to be paid under the contract. The closing on the remaining property will proceed, however, should the SPA become unable to obtain clear title to the outparcel. If the SPA cannot transfer clear title to the outparcel within ninety days following the closing on the majority of the property, Buyer will be refunded a sum of $50,000.

Buyer has deposited $50,000 earnest money, and an additional $150,000 will be deposited if the approval to sell the property under the terms of the current contract is granted by the Board. The earnest money is refundable to Buyer if the property is deemed not suitable at Buyer's discretion during a ninety (90) day inspection period following the approval of the Board and execution of the contract by the SPA and Buyer. Buyer may extend the inspection period thirty (30) days for an additional sum of $75,000. The earnest money is non-refundable after the inspection period and will be applied towards the total purchase price.

A commission of 2.5% of the sales price ($425,000) will be paid by the SPA to NAI Avant at closing. Buyer has committed to include a 9.8 acre waterfront park on the property as part of its redevelopment plan. The State Ports Authority Board approved the contract for sale at its July 19, 2011 meeting and requested the approval of the Board.

By Summons and Complaint served on July 6, 2010, the SPA initiated an action against the State seeking a declaratory judgment from the court that the SPA has the sole power to transfer the marshlands to a private party as a part of the sale of the property under the previous failed contract and "…declaring that the State is forever barred from any claim to ownership of the marshlands and declaring that any clouds on the marshlands associated with any claim of right of the State to ownership of the marshlands is forever removed. The SPA stopped actively pursuing the litigation when the contract fell through. Under the current contract, the SPA will convey the marshlands by quitclaim deed only, conveying all interest the SPA has, if any, in the marshlands. After the closing on the property takes place with Buyer, the SPA will request that the litigation be dismissed.

Upon a motion by Senator Leatherman, seconded by Mr. Eckstrom, the Board approved the request of the State Ports Authority to approve the contract for sale between the State Ports Authority and Port Royal Redevelopment Group, LLC for the sale of 317.51± acres in Port Royal for $17,000,000.

Information relating to this matter has been retained in these files and is identified as Exhibit 16.

Executive Director: Revenue Bonds (Regular Session Item #7A)

The required review on the following proposal to issue revenue bonds was completed with satisfactory results. The project required approval under State law.

Issuing Authority:	State Housing Finance and Development Authority
Amount of Issue:	Not Exceeding $250,000,000 Homeownership Revenue Bonds
Allocation Needed:	$250,000,000 (The Authority currently has carry-forward allocation for this issue.)
Name of Project:	Homeownership Revenue Bonds
Employment Impact:	n/a
Project Description:	homeownership revenue bonds
Bond Counsel:	Rion D.Foley, McNair Law Firm, P.A.

Mr. Eckstrom stated that he has serious reservations about the proposed bond issue. He said his understanding is that the additional loan authority is going to be secured by Fannie Mae and Freddie Mac and he does not get a good feeling about that. He noted that there was a recent downgrade action taken against those agencies. He asked about the wisdom of moving forward at this point with government guaranteed housing programs. Governor Haley said she agreed with Mr. Eckstrom and stated the last thing that is needed is for there to be more federal debt during the present economic situation.

Upon a motion by Mr. Loftis, seconded by Senator Leatherman, the Board approved the following proposal to issue revenue bonds. Mr. Loftis, Senator Leatherman, and Mr. White voted for the item. Governor Haley and Mr. Eckstrom voted against the item.

Issuing Authority: State Housing Finance and Development Authority
Amount of Issue: Not Exceeding $250,000,000 Homeownership Revenue Bonds
Allocation Needed: $250,000,000 (The Authority currently has carry-forward allocation for this issue.)
Name of Project: Homeownership Revenue Bonds
Employment Impact: n/a
Project Description: homeownership revenue bonds
Bond Counsel:Rion D.Foley, McNair Law Firm, P.A.

Information relating to this matter has been retained in these files and is identified as Exhibit 17.

Budget and Control Board: Personnel Matter—Executive Director (Reg. Session Item #7B)

The Board was asked to recognize and commend Ms. Kitzman for her service to the State of South Carolina upon her resignation as Executive Director of the South Carolina Budget and Control Board.

Governor Haley commented that it is with great pleasure that the Board can thank Ms. Kitzman for the work she has done for the State. She said she has known Ms. Kitzman for over 10 years and that she has handled herself with strength and grace. Ms. Kitzman thanked the Board for the honor, privilege, and challenge of being the Board’s Executive Director. Mr. Eckstrom asked whether there is a resolution formalizing the Board’s appreciation for Ms. Kitzman’s service. Governor Haley said that there will be a resolution.

The Board recognized and commended Eleanor Kitzman for her service to the State of South Carolina upon her resignation as Executive Director of the South Carolina Budget and Control Board.

Information relating to this matter has been retained in these files and is identified as Exhibit 18.

Budget and Control Board: Personnel Matter—Executive Director (Reg. Session Item #7C)

The Board discussed replacement of the Executive Director.

Senator Leatherman noted that Ms. Adams is currently the Chief of Staff for the Board and as Director for the Department of Motor Vehicles she cleaned up the agency's operations. He said that she is a tremendously dedicated state employee. Senator Leatherman moved that Ms. Adams be appointed Executive Director of the Board by acclamation. The motion was seconded by Mr. Eckstrom and Mr. White. Governor Haley noted that the salary would be at the minimum of the pay band for the position.

Upon a motion by Senator Leatherman, seconded by Mr. White, the Board, by acclamation, appointed Marcia S. Adams as Executive Director of the Budget and Control Board at the minimum of the pay band for the position.

Information relating to this matter has been retained in these files and is identified as Exhibit 19.

Future Meeting

The Board agreed to meet at 10:00 a.m. on Tuesday, September 20, 2011, in Room 252, Edgar A. Brown Building.

Adjournment

The meeting adjourned at 11:45 a.m.

[Secretary's Note: In compliance with Code Section 30-4-80, public notice of and the agenda for this meeting were posted on bulletin boards in the office of the Governor's Press Secretary and in the Press Room, near the Board Secretary's office in the Wade Hampton Building, and in the lobbies of the Wade Hampton Building and the Edgar A. Brown Building at 9:50 a.m. on Monday, August 8, 2011.]