

MINUTES OF STATE BUDGET AND CONTROL BOARD MEETING

December 12, 2012 -- 8:30 A. M.

The Budget and Control Board (Board) met at 8:30 a.m. on Wednesday, December 12, 2012, 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 Marcia Adams; Chief of Staff Steve Elliott; General Counsel Paul Koch; Governor's Deputy Chief of Staff for Policy, Budget, and Cabinet Affairs Ted Pitts; Treasurer's Chief of Staff Bill Leiding; 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.

[Secretary's Note: The Board met immediately following a meeting of the Water Quality Revolving Fund Authority, the members of which are the Budget and Control Board members, ex officio.]

Adoption of Agenda for Budget and Control Board

Mr. Loftis moved to amend the agenda to have the executive session agenda item to be considered after regular session item #7. The motion was seconded by Mr. White. The motion passed. Upon a motion by Mr. Loftis, seconded by Mr. White, the Board adopted the Budget and Control Board agenda as amended.

Minutes of Previous Meeting

Upon a motion by Mr. Loftis, seconded by Mr. Eckstrom, the Board approved the minutes of the October 30, 2012, Budget and Control Board meeting.

Blue Agenda

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

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

The Board approved the following notification of the assignment of bond counsel for conduit issues and other revenue issues 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
\$25,000,000 SC JEDA	CHS Development Company	McNair	Parker Poe
\$10,000,000 SC JEDA	Grace Community Development Inc.	Haynsworth Sinkler Boyd	Howell, Linkous & Nettles
\$4,700,000 SC JEDA	Carolina Senior Solutions	Haynsworth Sinkler Boyd	Nexsen Pruet

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

Division of General Services: Real Property Conveyances (Blue Agenda Item #2)

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

- (a) **Agency:** **Budget and Control Board (Forestry Commission)**
Acreage: 9.1± acres
Location: 1246 Simpson Circle, Ridgeway
County: Fairfield
Purpose: To dispose of surplus real property.
Appraised Value: \$68,000 as of 2/18/12
Price/Transferred To: \$65,000/Michael L. Williams
Disposition of Proceeds: To be retained by Forestry Commission pursuant to Proviso 80A.27.
Additional Information: On December 14, 2010, the Board approved the sale of the former Simpson Fire Tower Site for not less than the appraised value which was \$68,000. The property has remained unsold since that time. Mr. Williams has made an offer to purchase the property at less than the appraised value and the Forestry Commission feels it would be in the agency's best interest to accept this offer as it is the only firm offer received since the property has been on the market.
- (b) **Agency:** **State Board for Technical & Comprehensive Education**
Acreage: 5.46± acres

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Location: 215 Kentucky Road & 2960 Banny Jones Avenue, West Columbia
County: Lexington
Purpose: To transfer the old SC Fire Academy property to Midlands Technical College. The property will be used to further the College's industrial education program.
Price/Transferred To: No consideration/Midlands Technical College

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

Division of General Services: State Ports Authority – Port Royal Property (Blue Item #3)

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. At its meeting on February 8, 2011, the Board approved the SPA's request to continue marketing the Port Royal Property.

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 second contract was approved by the Board at its August 11, 2011, meeting, which also ultimately failed to close.

The current listing agreement with NAI Avant for the Port Royal property will expire December 31. NAI Avant has submitted a renewal Listing Agreement to the State Ports Authority for execution. Over the past 5 years they have succeeded in obtaining executed contracts; however these failed to close due to the continued difficulties in the financial markets – especially in funding Brownfield properties such as the closed marine terminal at Port Royal. NAI Avant has funded all of the marketing expense out of pocket and they have not received any of the earnest monies forfeited to the State Ports Authority as the result of the prospective Buyer's defaulting on their contracts. The State Ports Authority is prepared to execute the renewal Listing Agreement, upon approval by the Budget and Control Board to continue marketing the property.

The listing agreement renewal is for the calendar year 2013 and provides for a 2% commission at Closing if NAI Avant secures the Buyer, and 3% if the Buyer is represented by a duly authorized agent.

Additionally, the Property is currently being re-appraised, which should be completed in mid-December so that full scale marketing can commence without delay.

The Board approved the State Port's Authority request to continue marketing the Port Royal Terminal, which will include the SPA's use of NAI Avant for calendar year 2013.

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

Division of Procurement Services: Procurement Audits and Certifications (Blue Agenda #4)

The Division of Procurement Services, in accord with Section 11-35-1210, audited the following agencies 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):

- a. Forestry Commission (for a period of three years): supplies and services, \$100,000* per commitment; major firefighting equipment per commodity codes 065, 071, 072, 073, 760 and 765, \$1,000,000* per commitment; consultant services, \$75,000* per commitment; information technology, \$75,000* per commitment.

*Total potential purchase commitment whether single or multi-term contracts are used.

The audit confirms the South Carolina Forestry Commission has the internal controls and expertise to ensure compliance with the requirements of the South Carolina Consolidated Procurement Code and ensuing regulations for the certification limits requested. Further, the Commission requested a certification level of \$1 million for Major Fire Fighting Equipment noting a complete unit (tractor, transport and plow) costs between \$240,000 and \$250,000. This certification level allows the agency to buy three to four units a year depending on Commission needs. Procurement Services' audit results support the certification requested. The recommendation addresses the needs of the Commission and strategically targets its expertise for procurements of Major Fire Fighting Equipment.

- b. Winthrop University (for a period of three years): supplies and services, \$100,000* per commitment; consultant services, 100,000* per commitment; information technology, none recommended; construction services, \$100,000 per commitment; construction contract change order, \$50,000 per change order; architect/engineer contract amendment, \$25,000 per amendment.

*Total potential purchase commitment whether single or multi-term contracts are used.

The reduction in certification results from Winthrop University's failure to follow the State's Procurement Code. Procurement Services will perform an examination within one year to determine if Winthrop's certification should be restored to its previous levels.

In accord with Section 11-35-1210, The Board 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:

- a. Forestry Commission (for a period of three years): supplies and services, \$100,000* per commitment; major firefighting equipment per commodity codes 065, 071, 072, 073, 760 and 765, \$1,000,000* per commitment; consultant services, \$75,000* per commitment; information technology, \$75,000* per commitment.

*Total potential purchase commitment whether single or multi-term contracts are used.

Upon a motion by Senator Leatherman, seconded by Mr. Eckstrom, the Board carried

over the consideration of a request for procurement certification for Winthrop University.

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

Executive Director: Revenue Bonds (Blue Agenda Item #5)

The Board approved the following proposal to issue revenue bonds:

Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: N/E \$30,000,000 (2012A Tax-Exempt) and N/E 3,000,000 (2012B Taxable) Economic Development Revenue Bonds (\$12,500,000 previously approved March 6, 2012)
Allocation Needed: \$30,000,000
Name of Project: LowCountry Biomass, LLC
Employment Impact: maintain 1 job and add 14 within 12 months and 28 within 24 months
Project Description: acquiring, renovating, and equipping a facility for recycling wood pellets for power fuel source, bedding and litter material for small animals, horses and chickens and associated fees and costs
Note: private sale or underwriting
Bond Counsel: E. Tyler Smith, Haynsworth Sinkler Boyd, P. A.
(Exhibit 5)

Executive Director: Economic Development (2012 Ceiling Allocations) (Blue Agenda # 6)

The initial balance of the 2012 state ceiling allocation is \$444,526,850. In accord with Code Section 1-11-520, \$177,810,740 (40% of the total) was designated as the state pool and \$266,716,110 (60% of the total) was designated as the local pool. There is presently a state ceiling balance of \$428,826,850 remaining for 2012. Allocation requests for 2012 totaling \$72,500,000 have been received thus far.

The recommendation from the Department of Commerce for allocations for this cycle totaled \$30,000,000. The Department of Commerce made the following recommendation for allocation from the local pool:

JEDA LowCountry Biomass, (Jasper County), \$30,000,000.

Board approval of the recommended request will leave an unexpended state ceiling balance of \$398,826,850 (state pool - \$177,810,740; local pool - \$221,016,110) to be allocated later in the calendar year.

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Additionally, in accord with S.C. Code of Laws Section 1-11-560, JEDA requested the allocation to LowCountry Biomass be designated as carry-forward for use in subsequent years. The project is for a solid waste recycling facility and, therefore, qualifies for carry-forward designation for the next three calendar years.

In accord with Code Section 1-11-500 et seq. and upon the recommendation of the Department of Commerce, the Board granted the following tentative ceiling allocation from the local pool, designated the allocation for carry-forward for the next three calendar years, and authorized the filing of a carry-forward election with the Internal Revenue Service:

JEDA LowCountry Biomass, (Jasper County), \$30,000,000.

Information relating to this matter has been retained in these files and is identified as Exhibit 6.

Executive Director: Economic Development – 2012 Ceiling Allocations (2012 Volume Cap Carry-forward (Blue Agenda Item #7)

The initial balance of the 2012 state ceiling allocation was \$444,526,850. 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 \$428,826,850 remaining for 2012. Allocation requests for 2012 totaling \$72,500,000 have been received thus far.

In accord with S.C. Code of Laws Section 1-11-500, et seq., the South Carolina State Housing Finance and Development Authority has requested that any unallocated state ceiling balance remaining at the end of the calendar year be designated to the Authority as carry-forward for use in subsequent years. The Board was asked to allocate any remaining 2012 state ceiling balance at year-end to the South Carolina State Housing Finance and Development Authority for use in the issuance of bonds to provide housing to the members of State Housing's "beneficiary classes" (i.e., mortgage revenue bonds/mortgage credit certificates, and qualified residential rental bonds) for carry-forward for the next three calendar years.

The Board authorized the allocation of any remaining 2012 state ceiling balance at year-end to the South Carolina State Housing Finance and Development Authority for use in the

issuance of bonds to provide housing to the members of State Housing’s “beneficiary classes” (i.e., mortgage revenue bonds/mortgage credit certificates, and qualified residential rental bonds) for carry-forward for the next three calendar years and authorize the filing of a carry-forward election with the Internal Revenue Service.

Information relating to this matter has been retained in these files and is identified as Exhibit 7.

Executive Director: Qualified Public Educational Facilities (2012 Volume Cap Carry-forward) (Blue Agenda Item #8)

Internal Revenue Code Section 26 U.S.C. Section 142(k) for qualified public educational facilities and Section 142(a)(13) were added by Section 422(a) and (b) of P.L. 107-16 in 2001. Section 142(k) provides a separate and independent volume cap for qualified public educational facilities to be used for the issuance of bonds for public educational facilities. These bonds are not subject to the general volume limitation under Code Section 146 but are subject to a separate volume limitation set forth in Code Section 142(k). No regulations for this provision have been promulgated.

The volume cap for qualified public educational facilities is governed by Section 142(k)5. That Section provides, in part, the following:

(B) Allocation rules.

....

(ii) Rules for carry-forward of unused limitation. A State may elect to carry forward an unused limitation for any calendar year for 3 calendar years following the calendar year in which the unused limitation arose under rules similar to the rules of section 146(f), except that the only purpose for which the carry-forward may be elected is the issuance of exempt facility bonds described in subsection (a)(13).

The volume cap for calendar year 2012 was \$46,729,300 and has been unused. The Board was asked to elect to carry-forward the entire volume cap for 2012 to be used for the issuance of bonds for qualified public educational facilities as described in Section 142(a)(13) and authorize the filing of a carry-forward election with the Internal Revenue Service in connection with such allocation. Pursuant to Section 142(k)(5)(B)(ii) the carry-forward will be valid for the next three calendar years.

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The Board approved the carry-forward of the unused volume cap allocation for qualified public educational facilities for calendar year 2012 to be used for the issuance of bonds of such bonds and authorized the filing of a carry-forward election with the Internal Revenue Service in connection with such allocation to be valid for the next three calendar years.

Information relating to this matter has been retained in these files and is identified as Exhibit 8.

Department of Revenue: DOR Update/Inter-Agency Loan Request (Regular Session Item #1)

Mr. Loftis chaired the meeting for this item and regular session item #2. The Board was asked to receive an update on the Department of Revenue (DOR) security breach.

Additionally, DOR has an immediate need for additional funds to cover expenses related to the security of its information technology infrastructure and the recent breach of its information technology systems. The Board was requested to approve an inter-agency loan agreement pursuant to S.C. Code Ann. §§ 11-9-230; 11-9-240; 11-9-250; and 11-9-260, in an amount not to exceed \$20,170,000 for the Department of Revenue to be used to support the DOR's efforts in addressing the security of its information technology infrastructure and the recent breach of its information technology systems. The inter-agency agreement establishing the loan will contain terms and conditions for repayment of these funds. The Board has made the following inter-agency loans in previous years:

Borrower	Amount	Date	From	Payment Terms	Purpose
The Citadel	\$400,000	3/11/97	BCB-Office of Information Resources	2 years	Expense related to federal decision to allow females to attend The Citadel
SC State	\$2,100,000	6/18/98	USC	On or before 9/18/98	General operating expenses
PRT	\$2,000,000	10/30/01	BCB-Office of Local Government	7/31/02	Advertising campaign to promote State's tourism attractions
House/Senate	\$500,000 FY 02; \$500,000 FY 03	12/13/01	BCB-IRF	By July 1 st of 2 nd FY following final disposition of	Abbeville County School District, et al., v. State, et al.

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				litigation	
Commerce	\$3,000,000	3/1/02	BCB-Office of Local Government	1 year	Economic Development Initiatives
SC Military Base Task Force	\$200,000	4/8/03	BCB-Office of Local Government	1 year	Address Base Closure Issues
Patriot's Point Development Authority	\$9,225,360	6/29/09	Bond Proceeds Account	12/1/10	<i>USS Laffey</i>

Governor Haley moved to approve DOR's interagency loan request and the related interagency loan agreement in an amount not to exceed \$20,170,000 to be used by the DOR in addressing the security of its information technology infrastructure and the recent breach of its information technology system and authorize the Board's Executive Director to execute the loan agreement on behalf of the Board. The source of the funds for the loan is the Insurance Reserve Fund. The motion was seconded by Mr. Eckstrom.

Governor Haley said that when the security breach occurred she related it to a hurricane in that rapid response was needed. She said that \$5.6 million is for encryption of social security numbers and dual authentication; \$12 million is for coverage through Experian; \$1.3 million is for direct mailing to contact everyone who has been breached which includes anyone filing an electronic filing since 1998; \$750,000 is to pay Mandiant to deal with the breach forensically; \$300,000 is for the law firm of Nelson Mullins as outside counsel; \$200,000 is for Chernoff Newman; and \$20,000 is for LexisNexis for address matching to ensure that out-of-state people were covered.

Mr. Eckstrom asked if the term of the repayment of the interagency loan is set by the Board. Ms. Adams noted that the draws on the loan can be made in three draws as requested by DOR and must be made by April 30, 2013. She stated that under the terms of the repayment the loan must be repaid by October 31, 2013. Mr. Eckstrom asked what the expected source of repayment is. Ms. Adams said the loan agreement calls for DOR to seek appropriation from the General Assembly. Mr. Eckstrom asked if there is a provision to roll the agreement over. Ms. Adams said that will be at the discretion of the Board and that by law the Board can call the loan at any time. Mr. Eckstrom asked how the rate on the loan is set. Ms. Adams responded that the

rate is set by the Treasurer as prescribed by law. Mr. Eckstrom asked if this was a wash in terms of rate differential to which Mr. Loftis responded that it is.

Senator Leatherman said he agrees that this was an emergency issue. He noted that section three of the loan agreement states that the IRF can demand repayment of the loan at any time. He asked what happens if the Board or the IRF demands repayment and the General Assembly has not appropriated money for repayment of the loan. He stated that he is not opposed to what is being done, but that he wants to make sure things are being done correctly. Governor Haley said that she has been working with the leadership of the House and Senate and has not received any resistance to this matter. She said that she intends to work with the General Assembly with regard to DOR's budget for cyber planning and how it will be handled. She said this will require both bodies of the General Assembly and her office to come together to decide how to protect the State's citizens across all functions of State government.

Senator Leatherman further asked what will happen if the Senate gets bogged down in discussing the matter. Governor Haley said that she has faith in the Senate and the House. She commented that a price cannot be put on the trust of the people of the State. She said her first instinct in this situation was protection and how to protect the people of the State and have everyone go through this crisis feeling it was handled. She stated that priority should be given to protecting the people first. Senator Leatherman said he applauds Governor Haley for taking action and that he has faith in the Senate as well, but that his question is what happens if the General Assembly does not appropriate the money. Governor Haley said that she is not avoiding the question, but that she cannot imagine which Senator would hold up paying for something that was used to protect the people of their districts and the State. She said that she would approach that senator and ask why the senator did not think it was important to pay for something that happened during a crisis. She said she believes in the Senators enough that she does not think there is one that would do that.

Senator Leather further pointed out that section four of the agreement notes that repayment of the loan is not contingent upon any appropriated funds. He asked what will the Board do if the funds are not appropriated. Governor Haley said it is DOR's responsibility to take on this matter and that she is not going to run a deficit in the agency. She said if the legislature chooses to make DOR deal with this matter itself that will be done, but that will

compromise other parts of DOR. Governor Haley said she is looking for a commitment from the Board to help get the funding. Senator Leatherman said he will push to get the money appropriated, but his concern is that DOR has no way to raise revenue.

Mr. White said that they can all agree that this needs to be done. He noted that the agreement points out that the Board can amend the terms of the agreement and that, if something happens, the Board can change the terms of the agreement. Governor Haley said it might be the case to pay half of the money back one year and half the next year. She stated she is prepared to deal with Senator Leatherman and Mr. White on this matter during the budget process and to bring it back to the Board as well.

Mr. Eckstrom commented that he is in support of the loan with the expectation that it will be repaid and that the IRF is not the ultimate loser in this matter. He commented that the Board does not want to create a *Laffey* situation that was created at Patriots Point in which there was some hope that proceeds would be secured to settle the \$9 million loan that was made for the *Laffey*. He said in this instance the State is assuming responsibility for repayment. He said the expectation is that this will be worked out in the appropriations process because the insurance reserve funds cannot be imperiled. Governor Haley said there is full intention of restoring the funds.

Upon a motion by Governor Haley, seconded by Mr. Eckstrom, the Board approved the Department of Revenue's interagency loan request and the related inter-agency loan agreement in an amount not to exceed \$20,170,000, to be used by the Department in addressing the security of its information technology infrastructure and the recent breach of its information technology systems, and authorized the Board's Executive Director to execute the loan agreement on behalf of the Board.

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

Inspector General: Review of Statewide Information Security Report (Reg. Session Item #2)

The Board was asked to do the following with regard to the Inspector General's Statewide Information Security Report:

1. Accept the Inspector General's Statewide Information Security Report as information;

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2. Authorize the Executive Director to issue an RFP (Request for Proposals) to develop a statewide program for information security and risk management and authorize the Executive Director to designate a coordinator to work with the vendor chosen in the RFP process;
3. Authorize the Board's Executive Director to use as funding for the contract excess appropriations for the current fiscal year, as determined by the Director of the Office of State Budget, designated for statewide employer contributions for other statewide purposes; and
4. The Executive Director will report back to the Board at its January 2013 meeting with a status report.

Inspector General Patrick Maley appeared before the Board to provide an overview of his report. He noted that on October 26, 2012, Governor Haley asked his office to review the State's posture as it relates to information security statewide in all agencies. He said he did not conduct an investigation of the DOR breach noting that after the breach there was a due diligence requirement to look at all agencies to see the State's posture and risk. He noted that he conducted his review from an organizational perspective and not a technical perspective. He said in order to understand the problem he focused on three areas of data: (1) talked with the chief information officers who run information security in all state agencies; (2) talked with the ITSC (Information Technology Solutions Committee), a DSIT (Division of State Information Technology) advisory board made up of 18 CIOs from across State government; and talked with DSIT executive leadership and people within DSIT and with over 30 experts in the area of information security. He said that each group painted the same picture that operating in a decentralized environment with regard to information security without standards is a recipe for disaster. He said what is needed is for the State to move to a statewide platform with a model that will bring all agencies under a common standard, common leadership, and raise standards across the board. He said that he is recommending establishment of a Chief Information Officer. He said universally the experts have said that subject matter experts are needed who have done this kind of work before. He said that with the threats becoming so high, a common theme among states is to move from a decentralized environment to a statewide platform.

Governor Haley commended Mr. Maley for the extensive amount of work he has done on this matter internally and externally. She said that his work will allow the House, Senate, and

executive leadership to develop a good cyber plan. Mr. Maley noted that the agencies' participation was at an intense level and that they were very cooperative.

In further discussion, Senator Leatherman commented that an RFP is premature at this time. He said two cyber security experts who work for the Department of Defense appeared before his subcommittee and their recommendation to the subcommittee was to bring in experts to help develop the RFP. He said that he does not think the State has the expertise to develop the RFP and do it well.

Governor Haley made the following motion:

1. Authorize the Executive Director to hire a consultant to assist in the creation of an RFP to develop a statewide program for information security and risk management. Once developed, the Executive Director is authorized to release and award the RFP after notification of Board members. Further, the Executive Director is authorized to designate a coordinator to work with the vendor chosen in the RFP process.
2. Authorize the Executive Director to use as funding for the contracts excess appropriations for the current fiscal year, as determined by the Director of the Office of State Budget, designated for statewide employer contributions for other statewide purposes; and
3. Require the Executive Director to report back to the Board at its January 2013 meeting with a status report.

Governor Haley said what is being asked is to give Ms. Adams the expert help to develop the requirements of the RFP. She said there is money in accounts that is unobligated that can be used to develop the cyber plan. She commented that moving fast after the crisis occurred was very important and continuing to move in a way that is swift is important because other agencies are getting pinged. She said waiting for the legislative session to decide on an RFP will allow more risk. She stated that there are companies that do this work well and they have talked to companies that do this type of work that can serve as consultant on the RFP.

Mr. Eckstrom seconded Governor Haley's motion.

In response to Governor Haley's comments, Senator Leatherman said that he is not talking about slowing down the RFP, but making sure that all of the necessary requirements are

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in the RFP. He said that the Board needs an expert to tell the State what specific requirements are needed for the RFP. He said he does not think the State has the expertise to develop or evaluate the RFP. He stated he is not saying the process should be slowed down, but that experts who deal in this area daily should be brought in to help develop the RFP and get it published and get the responses back as quickly as possible. Governor Haley said that she is asking that Ms. Adams be allowed to get an expert in the cyber security field to help develop the RFP. Mr. Eckstrom also commented that there should be a source of funds to pay for the expert to assist in developing the RFP and pay for the next stage of the development of the RFP by the expert.

Senator Leatherman said that his concern is that there is no knowledge of what the agencies' needs are. He said there is already a contract in existence at Health and Human Services with Gartner and that Gartner needs to go into each agency and help identify what the agency is doing and where the holes may be. He said he does not know how an RFP is developed if it is not known what the offerors are being asked to respond. He said the State should find out what needs to be in the RFP before it is issued. Governor Haley commented the Inspector General was sent into the agencies for that reason. Mr. Eckstrom said that Governor Haley's motion is to bring in the expert to draft the RFP. Senator Leatherman said that what he heard is that the RFP would be issued and the Board would be informed of its issuance.

Mr. White asked whether there was a time period for a report to be made to the Board before the RFP went forward. Mr. Loftis asked Ms. Adams to explain the process for hiring the consultant. Ms. Adams stated that the motion before the Board allows for a consultant to be hired to help Board staff develop an RFP. She said the RFP is not proscriptive in what needs to be done. She said the RFP would be for a plan and that once the RFP is awarded a company will come in and perform assessments. Ms. Adams said from those assessments and knowing what the State has the company will develop recommendations. She said those recommendations would not be acted upon because there are multi steps in the process. She said that a consultant would help the State develop the RFP to find out what data the State has and what should be done to protect the data.

Senator Leatherman asked if the motion was allowing someone to help develop the "real" RFP. Ms. Adams responded that the motion allows the Board to bring in a consultant to help draft an RFP. Senator Leatherman asked what the RFP would cover. Ms. Adams said the RFP

would have a vendor come in and go into agencies and tell the State its status in terms of information security, where the information is, how it is being protected, and provide recommendations as to what the vendor believes should be done. She said the RFP will not tell the vendor to act, but will instruct the vendor to tell the State what was seen and what should be done. She said that the consultant hired to help draft the RFP can provide a second opinion in looking at what the vendor brings back as a report.

Mr. Eckstrom asked Senator Leatherman if was asking for the RFP to come back to the Board before it is issued. Senator Leatherman said that he thinks it should and that the Board should sign off on this. Mr. Eckstrom said he agreed with Senator Leatherman. He commented that this is not like a typical RFP for IT and, given what the process is supposed to address, it is reasonable that the RFP come back to the Board because of the heightened interest in it and the budgeting impact of what the RFP will produce. Governor Haley said the RFP is only for what should be done going forward and that the Board would approve the RFP for the equipment and consulting going forward. She further stated if the Board members wanted to look at the RFP for the RFP to get this done she would call a meeting that day to resolve the matter and keep it moving. Governor Haley said it is incredibly important that movement continues on the cyber plan and that neither the legislative process nor bureaucracy should slow down the RFP. Senator Leatherman commented that he does not want to slow down the RFP, but wants the Board to get it right and not have a knee-jerk reaction that might put the State in a worse position. Governor Haley said she would amend her motion for the Board to review the RFP for the RFP.

Mr. Loftis asked whether it would be appropriate to add to the motion that the Board reserves the right to vote on this RFP. Senator Leatherman said the Board needs to look at the RFP. Mr. Eckstrom said the RFP will be presented to the Board for its approval. Governor Haley said that her motion is amended. Mr. Eckstrom seconded Governor Haley's motion to amend her motion.

Mr. Eckstrom asked how the procurement of the expert would be handled and how long would it take to obtain the expert. Ms. Adams said the amount of the contract would determine how long it would take. She said that if the contract amount is less than \$10,000 at least three written "bids" would be needed and if the amount is less than \$50,000 but above \$10,000 the solicitation will be advertised in SCBO (South Carolina Business Opportunities) for seven days

and written bids are received. Mr. Eckstrom asked how long the under \$10,000 solicitation would take to which Ms. Adams responded a couple of days and that a solicitation for over \$10,000 but less than \$50,000 would take a couple of weeks. Mr. Eckstrom asked how long might the evaluation process by the expert might take. Ms. Adams said under a very tight timeframe Board staff may be able to come back to the Board in mid to late January with the RFP. Senator Leatherman asked Ms. Adams whether she was talking about the RFP to get the experts to develop the plan to which Ms. Adams responded yes.

Upon a motion by Governor Haley, seconded by Mr. Eckstrom, with regard to the Inspector General's Statewide Information Security Report, the Board took the following action:

1. Accepted the Inspector General's Statewide Information Security Report as information;
2. Authorized the Executive Director to issue an RFP (Request for Proposals) to obtain a consultant to assist in developing the RFP for a statewide program for information security and risk management and to work with the vendor chosen in the RFP process; and authorized the Executive Director to issue an RFP to develop a statewide program for information security and risk management;
3. Authorized the Board's Executive Director to use as funding for the contract excess appropriations for the current fiscal year, as determined by the Director of the Office of State Budget, designated for statewide employer contributions for other statewide purposes; and
4. Required the Executive Director to report back to the Board at its January 2013 meeting with a status report.

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

Public Employee Benefit Authority (PEBA): Actuarial Valuation of the South Carolina Retirement System ("SCRS") (Regular Session Item #3)

Pursuant to the Retirement Code, as amended by Act 278 of 2012, the PEBA Board of Directors is authorized to adopt the necessary employer, and, in certain cases, employee, contribution rates for the five defined benefit plans administered by PEBA based upon the annual valuations of those plans performed by the plans' actuary.

For the South Carolina Retirement System (“SCRS”) and the South Carolina Police Officers’ Retirement System (“PORS”), prior to July 1, 2015, the rates for employee and employer contributions to those plans are preliminarily set by a statutory schedule. However, if the actuarial valuation shows that those scheduled rates are insufficient to maintain a thirty-year amortization period for the plans, the PEBA Board of Directors is required to increase the scheduled employee and employer contribution rates in equal amounts to maintain an amortization period not exceeding thirty years. See Sections 9-1-1085(A), (C), 9-11-225(A), (C) (as added by Act 278 of 2012).

At the regular meeting of the PEBA Board of Directors on November 21, 2012, the PEBA Board accepted as information the valuation prepared by the Board’s actuary, Gabriel Roeder Smith (“GRS”), for SCRS as of July 1, 2011. Because the valuation found that the employee and employer contributions scheduled for SCRS for July 1, 2013, by Section 9-1-1085(A) were sufficient to maintain an amortization period not exceeding thirty years for the plan, the PEBA Board was not required to make any adjustments in employee or employer contribution rates for SCRS for July 1, 2013.

Pursuant to Section 9-4-45(A) (as added by Act 278 of 2012), policy determinations made by the PEBA Board are subject to approval by the Board, as evidenced by a majority vote of the Board. Adjustments in employer and employee contribution rates are policy determinations subject to Board approval. See Section 9-4-45(B).

Because there were no adjustments in employee or employer contribution rates for SCRS for July 1, 2013, from the scheduled rates set out in Section 9-1-1085(A), there was no action required by the Board regarding those rates, and the actuarial valuation for SCRS as of July 1, 2011, was provided solely for the Board’s information.

Upon a motion by Mr. White, seconded by Senator Leatherman, the Board received as information the actuarial valuation for SCRS as of July 1, 2011

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

Public Employee Benefit Authority (“PEBA”): Approval of PEBA Policy Determination for the South Carolina Police Officers’ Retirement System (Regular Session Item #4)

Pursuant to the Retirement Code, as amended by Act 278 of 2012, the PEBA Board of Directors is authorized to adopt the necessary employer, and, in certain cases, employee, contribution rates for the five defined benefit plans administered by PEBA based upon the annual valuations of those plans performed by the plans’ actuary.

For the South Carolina Retirement System (“SCRS”) and the South Carolina Police Officers’ Retirement System (“PORS”), prior to July 1, 2015, the rates for employee and employer contributions to those plans are preliminarily set by a statutory schedule. However, if the actuarial valuation shows that those scheduled rates are insufficient to maintain a thirty-year amortization period for the plans, the PEBA Board of Directors is required to increase the scheduled employee and employer contribution rates in equal amounts to maintain an amortization period not exceeding thirty years. See Sections 9-1-1085(A), (C), 9-11-225(A), (C) (as added by Act 278 of 2012).

At the regular meeting of the PEBA Board of Directors on November 21, 2012, the PEBA Board accepted as information the valuation prepared by the Board’s actuary, Gabriel Roeder Smith (“GRS”), for PORS as of July 1, 2011, and adopted the contribution rates recommended therein. In particular, because the valuation found that the PORS contribution rates scheduled in Section 9-11-225(A) for July 1, 2013, were not sufficient to maintain an amortization period not exceeding thirty years for the plan, the PEBA Board adopted the recommendation of the actuary that PORS contribution rates be increased under Section 9-11-225(C) from the scheduled rates of 7.5% for employees and 12.5% for employers to 7.84% for employees and 12.84% for employers for July 1, 2013, to maintain a thirty-year amortization period for the plan.

Pursuant to Section 9-4-45(A) (as added by Act 278 of 2012), policy determinations made by the PEBA Board are subject to approval by the Board, as evidenced by a majority vote of the Board. Adjustments in employer and employee contribution rates are policy determinations subject to Budget and Control Board approval. See Section 9-4-45(B).

Upon a motion by, Mr. White, seconded by Senator Leatherman, the Board, pursuant to Section 9-4-45, approved the following adjustments in employer and employee contributions

adopted by the PEBA Board for the South Carolina Police Officers' Retirement System ("PORS") for the fiscal year beginning July 1, 2013, based upon the actuarial valuation of the system as of July 1, 2011:

1. Increased PORS employee contribution rate from 7.5% to 7.84% and the PORS employer contribution rate from 12.5% to 12.84%.

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

Public Employee Benefit Authority ("PEBA"): Approval of PEBA Policy for the Retirement System for Judges and Solicitors (Regular Session Item #5)

Pursuant to the Retirement Code, as amended by Act 278 of 2012, the PEBA Board of Directors is authorized to adopt the necessary employer, and, in certain cases, employee, contribution rates for the five defined benefit plans administered by PEBA based upon the annual valuations of those plans performed by the plans' actuary.

For the Retirement System for Judges and Solicitors ("JSRS"), the employee contribution rate is fixed by statute, and the PEBA Board is required to annually certify the amount of contributions required from the State as an employer contribution to the plan based upon the actuarial valuation of the plan. See Section 9-8-140.

At the regular meeting of the PEBA Board of Directors on November 21, 2012, the PEBA Board accepted as information the valuation prepared by the Board's actuary, Gabriel Roeder Smith ("GRS"), for JSRS as of July 1, 2011, and adopted the employer contribution rate of 47.33% for the fiscal year beginning July 1, 2013, as recommended therein.

Senator Leatherman stated the original proposal for JSRS was to phase in the contributions. He asked whether this request does it all at one time. Ms. Adams responded that this request does it all at one time.

Mr. Eckstrom noted that the unfunded liability amortization period grew from 16 years last year to 30 years for this year. He said the unfunded liability exploded. He asked what was happening with this plan and how does the State plan to sustain this plan. David Avant with PEBA explained that this is the first valuation that has been performed with the new assumptions adopted by the Board in November 2011. He said as part of the assumption changes things like a

new mortality rate was applied to JSRS and the rest of the systems. He stated that JSRS saw an increase in the average age to which people lived and that was the main driver in changing the unfunded liability. Mr. Eckstrom stated that says the Board was not dealing realistically with the assumptions in the past. Mr. Avant commented that the assumptions the Board took under consideration in November 2011 were more conservative than in the past and that the mortality rate will change as conditions change. He noted this is a more progressive mortality rate. He said the mortality rate the Board adopted is not static and assumes that the mortality rate will go up. Mr. Eckstrom said that the mortality rate would not be conservative if it increased. Mr. Avant said the longer one expects people to live the more conservative the rate. He said that if there is an expectation that people are going to live to 90, funding will take place at a higher rate. Mr. Eckstrom pointed out Mr. Avant was talking about the longevity rate and not a mortality rate.

Mr. Eckstrom further asked whether the same incremental mortality rate was adopted in the other plans. Mr. Avant responded yes. Mr. Eckstrom asked why the same bump in the unfunded liability was not seen the other plans. Mr. Avant stated the other plans were closer to the mortality rates that were already adopted by Board with regard to SCRS and PORS. He said that he cannot speak to what was considered in adopting the mortality rates or any other assumptions for JSRS years ago. He said the change in the assumptions did lead to the increase in the unfunded liability.

Mr. Eckstrom asked if it is PEBA's expectation that the increase from year to year is going to be moderated in the unfunded liability. Mr. Avant said there is some expectation that there will be some depressed return rates in the future and that they are still recognizing some losses from 2008. He said the assumptions are set to pay off the unfunded liability given the circumstances Mr. Eckstrom mentioned. Mr. Avant said the PEBA Board and the Board will monitor the assumptions and if things start to get away from the assumptions as the years go by then adjustments will be made to the assumptions. He said the assumptions are envisioned to pay off the unfunded liability in 30 years.

In further discussion, Mr. Eckstrom asked what is being considered to modify this plan. Mr. Avant said that he cannot speak to the issue because it is a policy decision that the General Assembly would review. He said that they are available to provide any information that is

needed to make those decisions.

Pursuant to Section 9-4-45(A) (as added by Act 278 of 2012), policy determinations made by the PEBA Board are subject to approval by the Board, as evidenced by a majority vote of the Board. Adjustments in employer and employee contribution rates are policy determinations subject to Budget and Control Board approval. See Section 9-4-45(B).

Upon a motion by Mr. White, seconded by Senator Leatherman, the Board, pursuant to Section 9-4-45, approved the following adjustment in employer contributions adopted by the PEBA Board for the Retirement System for Judges and Solicitors (“JSRS”) for the fiscal year beginning July 1, 2013, based upon the actuarial valuation of the system as of July 1, 2011:

1. Increased JSRS employer contribution rate from 45.09% to 47.33%.

All of the Board members, with exception of Mr. Eckstrom, voted for the item. Mr. Eckstrom voted against the item.

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

Public Employee Benefit Authority (“PEBA”): Approval of PEBA Policy Determination for the Retirement System for Members of the General Assembly (Regular Session Item #6)

Pursuant to the Retirement Code, as amended by Act 278 of 2012, the PEBA Board of Directors is authorized to adopt the necessary employer, and, in certain cases, employee, contribution rates for the five defined benefit plans administered by PEBA based upon the annual valuations of those plans performed by the plans’ actuary.

For the Retirement System for Members of the General Assembly (“GARS”), the employee contribution rate is fixed by statute, and the PEBA Board is required to annually certify the amount of contributions required from the State as an employer contribution to the plan based upon the actuarial valuation of the plan. See Section 9-9-130.

At the regular meeting of the PEBA Board of Directors on November 21, 2012, the PEBA Board accepted as information the valuation prepared by the Board’s actuary, Gabriel Roeder Smith (“GRS”), for GARS as of July 1, 2011, and adopted the employer contribution of \$4.063 million for the fiscal year beginning July 1, 2013, as recommended therein.

Mr. Eckstrom pointed out that for GARS the funding period is going down. He said that should be the goal in structuring the plans. He said that the plans will have to be funded to amortize the unfunded liability or modify plans. He said the General Assembly chose not to fund this plan at the same level it has in the past.

Pursuant to Section 9-4-45(A) (as added by Act 278 of 2012), policy determinations made by the PEBA Board are subject to approval by the Budget and Control Board, as evidenced by a majority vote of the Board. Adjustments in employer and employee contribution rates are policy determinations subject to Budget and Control Board approval. See Section 9-4-45(B).

Upon a motion by Mr. Loftis, seconded by Senator Leatherman, the Board, pursuant to Section 9-4-45, approved the following adjustment in employer contributions adopted by the PEBA Board for the Retirement System for Members of the General Assembly (“GARS”) for the fiscal year beginning July 1, 2013, based upon the actuarial valuation of the system as of July 1, 2011:

1. Increased GARS employer contribution from \$2.831 million to \$4.063 million.

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

Public Employee Benefit Authority (“PEBA”): Approval of PEBA Policy Determination for the National Guard Retirement System (Regular Session Item #7)

Pursuant to the Retirement Code, as amended by Act 278 of 2012, the PEBA Board of Directors is authorized to adopt the necessary employer, and, in certain cases, employee, contribution rates for the five defined benefit plans administered by PEBA based upon the annual valuations of those plans performed by the plans’ actuary.

For the National Guard Retirement System (“NGRS”), which does not require employee contributions, the PEBA Board is required to certify the amount of the appropriation required from the State to maintain the plan on a sound actuarial basis as determined by the annual actuarial valuation of the plan. See Section 9-10-60(D).

At the regular meeting of the PEBA Board of Directors on November 21, 2012, the PEBA Board accepted as information the valuation prepared by the Board’s actuary, Gabriel

Roeder Smith (“GRS”), for NGRS as of July 1, 2011, and adopted the employer contribution of \$4.539 million for the fiscal year beginning July 1, 2013, as recommended therein.

Pursuant to Section 9-4-45(A) (as added by Act 278 of 2012), policy determinations made by the PEBA Board are subject to approval by the Budget and Control Board, as evidenced by a majority vote of the Board. Adjustments in employer and employee contribution rates are policy determinations subject to Budget and Control Board approval. See Section 9-4-45(B).

Upon a motion by Mr. White, seconded by Senator Leatherman, the Board, pursuant to Section 9-4-45, approved the following adjustment in employer contributions adopted by the PEBA Board for the National Guard Retirement System (“NGRS”) for the fiscal year beginning July 1, 2013, based upon the actuarial valuation of the system as of July 1, 2011:

1. Increased NGRS employer contribution from \$3.9 million to \$4.539 million.

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

Executive Session

Mr. Loftis moved that the Board go into executive session to receive legal advice concerning the South Carolina Retirement Systems Trustees and noted that there will be no action taken in executive session. The motion was seconded by Mr. White. The motion to convene in executive session was unanimously adopted.

Upon reconvening after executive session, Ms. Adams reported that there was no action to be taken on the item.

Division of State Budget: Permanent Improvement Projects (Regular Session Item #8)

Mr. Eckstrom said that the Board should move cautiously with regard to capital improvement projects. He said any capital improvement project that addresses a health and safety concern should be approved and any capital improvement project that addresses a deferred maintenance item that is essential to be dealt with now should move forward. He said the other items should wait until the next meeting to get some idea of what will happen in Washington, D.C.

Upon a motion by Mr. Eckstrom, seconded by Mr. White, the Board carried over items (a), (b), (c), (d), (e), and (k) as noted below and approved the following permanent improvement project establishment requests and budget revisions which have been reviewed favorably by the Joint Bond Review Committee:

Establish Project for A&E Design

- ***(a)** Summary 3-2013: JBRC Item 1. Clemson University **(carried over)**
Project: 9906, Core Campus Development
Funding Source: \$1,440,000 Other, Housing Improvement funds which result from bond-covenant required transfers from Housing Operations to allow for the maintenance and replacement of capital assets funded by bond issues.
Request: Establish project and budget for \$1,440,000 (Other, Housing Improvement funds) to begin design work to construct an approximately 260,000 square foot mixed use housing and dining facility at Clemson. The facility will include approximately 700 beds in the approximately 179,000 square foot residential portion, a dining facility, convenience store, retail restaurant, and administrative support spaces in the approximately 76,000 square foot dining portion, and approximately 5,000 square feet of shared-use academic seminar and meeting space for faculty and students. The facility will replace the Johnstone complex and Harcombe Dining Hall, both built in 1953. Johnstone is worn out, incapable of being renovated to meet the needs and expectations of students and parents, and has rooms that are too small with inadequate infrastructure. Harcombe was created for a different population, does not have efficient layouts, and is not energy efficient. Construction of this facility, in combination with others, will allow for Johnstone, Harcombe and a majority of the Union to be demolished by 2020.
- ***(b)** Summary 3-2013: JBRC Item 2. Clemson University **(carried over)**
Project: 9907, Lehotsky Hall Renovation
Funding Source: \$350,000 Other, Institutional Capital Project Funds which are excess debt service funds held by the State Treasurer's Office and required to be expended for capital projects.
Request: Establish project and budget for \$350,000 (Other, Institutional Capital Project Funds) to begin design work to renovate Lehotsky Hall which houses the School of Agriculture, Forestry and Environmental Sciences at Clemson. The work will include installing new HVAC and sprinkler systems, making structural reinforcements, improving the electrical, plumbing and information technology systems, upgrading the building envelope, and installing ADA-accessible features. The renovation will also include reprogramming some existing space to meet anticipated academic needs and priorities. The 94,000 square foot building is 38 years old and has not had a comprehensive renovation since construction. Most building systems are original to the

Request: Establish project and budget for \$150,000 (Other, Local College Plant funds) to begin design work to renovate the Technical Resource Center at the Barton campus of Greenville Tech. The work will include constructing a 5,900 square foot addition to the library to include tutoring rooms, student rooms, media lab and collaborative areas, reconfiguring interior spaces to create a printing center, cyber café/events area, testing center, learning center, Center for Teaching Excellence and other areas, renovating the auditorium, and installing new energy efficient lighting, plumbing, and HVAC systems, exterior windows and doors. Most building systems are original to the 20 year-old building and past their useful lives. The renovation is needed to address deferred maintenance, to develop locations for students to study in small groups and non-traditional learning environments, and to provide a single location for training faculty in updated methodologies and technologies for teaching and learning.

(f) Summary 3-2013: JBRC Item 6. Adjutant General

Project: 9770, Greenville Readiness Center Construction

Funding Source: \$300,366 Federal funds which come from the National Guard Bureau's Military Construction (MilCon) program funds.

Request: Establish project and budget for \$300,366 (Federal funds) to begin design work to construct a joint use readiness center building for the National Guard and Greenville Tech in Greenville. The approximately 94,000 square foot building will house two units of the Army National Guard that will use the new Army Aviation Support Facility under construction at the SC Technology and Aviation Center and will also house the Aviation Mechanical School of Greenville Tech. The facility will include an assembly hall, classrooms, library, learning center, simulation center and related support spaces. The existing Greenville Readiness Center is too small and inadequate to house the aviation units that will support the new Army Aviation Support Facility and co-locating with Greenville Tech's Aviation School that teaches mechanics to repair various aircraft will provide the on-site training required for the National Guard's mechanics.

Establish Construction Budget

(g) Summary 3-2013: JBRC Item 7. Clemson University

Project: 9905, Greenville One Building Upfit

Funding Source: \$6,700,000 Other, Institutional Capital Project Funds which are excess debt service funds held by the State Treasurer's Office and required to be expended for capital projects.

Request: Increase budget to \$6,700,000 (add \$6,599,500 Other, Institutional Capital Project Funds) to upfit shell space in the Greenville One Building in downtown Greenville for Clemson. The project was established in October 2012 for pre-design work which is now complete. The work will include upfitting floors five through eight and a portion of the first floor in the Greenville One

Building leased long-term by Clemson from the Clemson Land Stewardship Foundation. The work will include completing the mechanical, electrical and information technology systems, installing internal wall spacing on the leased floors, and furnishing and equipping the space to meet programmatic needs for the Masters in Business Administration and other business programs. Clemson made the decision in 2001 to develop a major presence by expanding targeted programming efforts in the Greenville community. The upfit will be constructed to LEED Commercial Interiors certification and will include sustainable sites, energy and atmosphere, and other measures. The LEED cost benefit analysis shows a negative cost benefit of \$413,400 at this phase of design based on preliminary figures, but Clemson staff anticipate the negative benefit will be negligible once the design nears completion. The agency reports the total projected cost of this project is \$6.7 million and additional annual operating costs ranging from \$488,246 to \$512,000 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is April 2013 and for completion of construction is December 2013. (See Attachment 1 for this agenda item for additional annual operating costs.)

- (h) Summary 3-2013: JBRC Item 8. University of South Carolina
Project: 6086, Preston College Bathroom and Flooring Renovations
Funding Source: \$1,500,000 Other, Housing Maintenance Reserve funds which are derived from the Housing operating budget which includes housing fees and revenues generated by laundry operations, conferences, and interest.
Request: Increase budget to \$1,500,000 (add \$1,477,500 Other, Housing Maintenance Reserve funds) to do bathroom and flooring renovations in Preston College residence hall at USC. The project was established in March 2011 for pre-design work which is now complete. The work will include completely renovating the 80 bathrooms by replacing showers and water closets, correcting water leaks, ensuring exhaust, ventilation and drain systems are adequate and working properly, installing new ceiling and wall tiles, and painting. The work will also include replacing vinyl floor tiles in 129 student rooms with durable no-finish vinyl tiles. The renovation will address deferred maintenance in plumbing systems which are well past their expected lives, correct damage from past plumbing leaks, and protect institutional assets from normal usage and past damage. Energy savings and conservation measures will include the installation of low flow plumbing fixtures and energy efficient lighting. The agency reports the total projected cost of this project is \$1.5 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 April 2013 and for completion of construction is July 2013.

- (i) Summary 3-2013: JBRC Item 9. Medical University of South Carolina
Project: 9823, Basic Science Building Craniofacial Biology Research Renovation
Funding Source: \$2,600,000 which includes \$39,000 Other, College of Dental Medicine Clinical Revenue funds already approved for use in the project and \$2,561,000 Other, Indirect Cost Recovery funds which derive from reimbursements from the Federal sponsor for overhead costs incurred to support the research mission.
Request: Increase budget to \$2,600,000 (add \$2,561,000 Other, Indirect Cost Recovery funds) to renovate approximately 9,000 square feet on the second floor of the Basic Science Building at MUSC. The project was established in May 2012 for pre-design work which is now complete. The renovation will create 190 feet of wet lab bench space and support areas for the College of Dental Medicine including tissue culture rooms, an autoclave room, a dark room, a microscopy room and lab technician areas. It will include reconfiguring space, installing new walls, floors, and ceilings, and modifying the existing HVAC, lighting, plumbing and fire protection systems in the space. The renovation is needed to provide sufficient consolidated research space to foster collaborative research within the Department of Craniofacial Biology. Energy savings and conservation measures will include the installation of energy efficient lighting and HVAC equipment, a lighting control system, and water-conserving plumbing fixtures. The agency reports the total projected cost of this project is \$2.6 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 July 2013 and for completion of construction is June 2014.
- (j) Summary 3-2013: JBRC Item 10. State Board of Technical and Comprehensive Education
Project: 6059, Central Carolina - Advanced Manufacturing Training Center Renovation
Funding Source: \$8,315,656 which includes \$2,550,000 Appropriated State funds from FY 11-12 supplemental appropriations, \$2,000,000 Other, Note Payable Loan funds which will be borrowed if EDA federal funds are not forthcoming as anticipated, and \$3,765,656 Other, College Capital Project funds which are college fund balances from previous years not committed to other projects or required for current operations.
Request: Increase budget to \$8,315,656 (add \$8,248,156 - \$2,482,500 Appropriated State, \$2,000,000 Other, Note Payable Loan and \$3,765,656 Other, College Capital Project funds) to renovate property being purchased on Broad Street in Sumter to provide a new training center for Central Carolina Tech. The project was established in July 2012 for pre-design work which is now complete. The work will include renovating approximately 54,700 square feet of the interior, abating asbestos, installing new roofing, HVAC, electrical and plumbing systems, upfitting infrastructure, and repairing parking and sitework. The renovation is needed to provide training space for Continental Tire and to move and expand the college's Basic and Advanced Mechatronics and Industrial Maintenance credit

programs. The existing training facility is at capacity and has no room to expand. The facility will be renovated to Green Globes certification and will include water use reduction, recycling, and refrigerant management measures and energy efficient lighting, controls and HVAC systems. The agency reports the total projected cost of this project is \$8,315,656 and additional annual operating costs of \$153,860 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is August 2013 and for completion of construction is March 2014. (See Attachment 2 for this agenda item for additional annual operating costs.)

- ***(k)** Summary 3-2013: JBRC Item 11. State Board of Technical and Comprehensive Education(**carried over**)
Project: 6077, Midlands - Morris Hall Addition
Funding Source: \$1,100,000 Other, College funds which are derived from a \$75 per semester capital fee for providing additional facilities and improvements that has not increased in more than 11 years.
Request: Increase budget to \$1,100,000 (add \$1,083,500 Other, College funds) to add an addition to Morris Hall on the Airport campus of Midlands Tech. The project was established in June 2011 for pre-design work which is now complete. The work will include adding a 3,757 square foot addition with educational technology labs, offices and student support spaces and renovating approximately 954 square feet of the existing building to create a corridor to the new addition. The addition will provide instructional training spaces needed for faculty to learn state-of-the-art instructional delivery methods and will provide student support spaces needed because of increased enrollment. Because enrollment is up 12% at the college and 10% on the Airport campus since 2005, more space is needed to provide support services to students and for the faculty who serve the students. Energy savings and conservation measures will include the installation of insulated glass, roof and walls and an energy efficient HVAC system. The agency reports the total projected cost of this project is \$1.1 million and additional annual operating costs ranging from \$21,600 to \$23,200 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is September 2013 and for completion of the construction is October 2014. (See Attachment 3 for this agenda item for additional annual operating costs.)

Increase Budget

- (l)** Summary 3-2013: JBRC Item 13. Medical University of South Carolina
Project: 9819, College of Nursing Floors 2-5 Interior Renovation
Funding Source: \$9,000,000 which includes \$5 million Other, Institutional Capital Project Funds and \$3 million Other, College of Nursing Tuition funds which have already been approved for use in the project and \$1 million Capital Reserve Funds from a FY 2011-12 appropriation for deferred maintenance.

Request: Increase budget to \$9,000,000 (add \$1,000,000 Capital Reserve Funds) to increase the scope to renovate the elevators in the College of Nursing Building at MUSC. The project was established in November 2011 for pre-design work and increased in May 2012 to establish the construction budget. Replacing the two elevators was included in the conceptual scope of work because the existing elevator doors and cabs were small and antiquated. However, funding limitations required the proposed elevator work to be reduced to minor interior finishes for construction budget approval. Since that time, Capital Reserve Funds appropriated for deferred maintenance have become available to address this concern. The project will now include reconfiguring and renovating floors two through five, replacing the HVAC, plumbing, electrical and fire alarm systems on each floor, and replacing elevators that serve the entire building. Energy savings and conservation measures will include the installation of energy efficient lighting and HVAC systems and water-conserving plumbing fixtures. The agency reports the total projected cost of this project is \$9 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 March 2013 and for completion of construction is June 2014.

(m) Summary 3-2013: JBRC Item 14. Budget and Control Board

Project: 9899, Sumter Street Building Upfit

Funding Source: \$1,283,615 which includes \$9,263 Capital Reserve Funds already approved for use in the project and \$1,274,352 Other, Depreciation Reserve funds which are derived from the rent account, which receives rent charged to state agencies for use of Budget and Control Board buildings.

Request: Increase budget to \$1,283,615 (add \$1,037,950 Other, Depreciation Reserve funds) to revise the scope and upfit space in the Sumter Street Building to house a new tenant. The project was established in May 2011 for pre-design work and increased in June 2011 to establish the construction budget to renovate the north portion of the building for the Department of Education. Since that time, Education decided not to move into the building and the building will now be upfitted to accommodate the Human Affairs Commission. The work will include installing new ceilings, walls, floor finishes and light fixtures, renovating toilets to comply with ADA requirements, replacing three HVAC units, and doing minor electrical and wall reconfigurations. In addition, new fire alarm and fire sprinkler systems will be added throughout the building to bring it up to current standards. The last major renovation in the building was in 1970. Energy savings and conservation measures will include the installation of energy efficient lighting and HVAC units and motion sensors. The agency reports the total projected cost of this project is \$1,283,615 and annual operating cost savings of \$2,233 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is March 2013 and for completion of construction is July 2013. (See Attachment 5 for this agenda item for annual operating cost savings.); and

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

Adjournment

The Board adjourned prior to considering the balance of the agenda, regular session items 9-14. The meeting adjourned at 10:30 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 7:30 p.m. on Monday, December 10, 2012.]