

## **MINUTES OF STATE BUDGET AND CONTROL BOARD MEETING**

**December 5, 2012 -- 9:00 A. M.**

The Budget and Control Board (Board) met at 9:00 a.m. on Wednesday, December 5, 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.

### ***Adoption of Agenda for Budget and Control Board***

Upon a motion by Mr. White, seconded by Senator Leatherman, the Board adopted the Budget and Control Board agenda as proposed.

### ***Department of Commerce: Real Property Transfers and Other Transactions Associated with Proposed Legal Settlement (Regular Session Agenda Item #1)***

The Board was asked to consider real property transfers and other transactions associated with a proposed legal settlement.

Commerce Secretary Robert Hipp appeared before the Board on this matter. Mr. Hipp advised the Board that this is a resolution of a dispute from about twelve years ago. He said this was during the time the port was moved from Daniel Island to the Naval Base which had previously been abandoned by the Federal government. He noted that the settlement of the dispute involves a trade of land and money between the City of North Charleston and Commerce in order to accommodate the railway. He said that all parties involved are comfortable and in favor of the agreement. He said that the settlement involves \$8 million, of which about half will go to the City for the condemned property and the rest is for remediation of the north end of the base. Mr. Hipp commented that this represents the start of the project to build the rail yard that

is necessary to make full use of the port as movement is made toward having a deeper harbor and a new terminal. He said from a Commerce point of view this sends a powerful signal to the business and shipping world that the port will be ready.

Senator Leatherman asked Mr. Hipp to speak to how this will help lessen I-26 traffic congestion. Mr. Hipp said the rail system will have two intermodal trains per day, one by Class I carrier Norfolk Southern and one by Class I carrier CSX. He said that 280 trucks could be displaced per train, or just shy of 600 trucks per day, going in both directions. He said those trucks would come off the interstate. He said they are also looking at an inland port for the upstate in conjunction with the Ports Authority that will move about 50,000 more trucks off the road. Mr. Hipp said they are seriously looking at the issue of railways as being a part of the solution to logistics in the State.

Mr. Eckstrom asked for an explanation of the business analysis that has gone into building the facility. Mr. Hipp said they have a number of consultants helping them, including a rail engineering company who is helping them with simulation and they have the Ports Authority's data. He also said a service transportation study involving the Port, the city, DOT, and Commerce will be done. He said this is the last major piece in pulling all of the pieces of the project together. Mr. Eckstrom asked how all of those pieces will be accessed in bringing them together. Mr. Hipp said Commerce has worked with both of the Class I carriers and they want to be a part of this project. Mr. Hipp noted that the second most profitable train in the country is an intermodal train, the first being coal trains which are decreasing in number as coal-fired plants are decreasing. He commented that this a big book of business for the railways and is highly efficient. He said they hope that traffic from other states will hit the State's borders and drop their cargo on a train to be moved to Charleston by rail. He noted that the rail yards are financially supported by payment from the Class I railways to handle their traffic. Mr. Eckstrom further asked whether there was any cost sharing with the railways for construction. Mr. Hipp said they are now turning their attention to that and he noted the federal government is very interested and that through the Federal Railway Administration there are financial grants to aid the project. He also noted that the railway is an authority and it does have bonding authorization which could be used.

Governor Haley stated that this project is a huge recruitment tool for her. She said the

infrastructure investments that are being made are being noticed around the country and is a daily topic of conversation with companies. She said she met with the State's federal delegation last week and they indicated the State will have the ports money and the dredging. Mr. Hipp pointed out that this project is a high focus for Commerce's international clients that are looking to locate in the State.

In further discussion, Mr. Eckstrom asked what the estimated cost of construction is. Mr. Hipp responded that the estimated cost to build is about \$120 million over a period of several years.

Mr. Loftis asked if there will be a tally of what the cost of this project will be to the taxpayer. He noted that the taxpayers will pay for this in a variety of different ways which includes Clemson giving 69 acres of land for the project. Mr. Hipp stated that Clemson was gifted the land by the City of North Charleston which was gifted the land by the Federal government. He said when Clemson was approached about the property Clemson understood that this was in the best interest of the State and got on board with the project. He said he has assured Clemson's president that they will come to a good resolution as to what Clemson will do on the site. Mr. Hipp noted that as a result of this item being approved by the Board the State will receive about 280 acres of property. He said the rail park and its connectors will require about 100 of those acres. He stated that after the first of the year they will bring in a consultant who will help them with land use. Governor Haley commented that the most important part is for the State to come up with a long term business plan.

Mr. Loftis further asked who will make Clemson whole with regard to the land. Mr. Hipp said he expects the railway to have a major play in doing so, but that will depend as well on what Clemson wants. Mr. Loftis stated that this matter does involve tax dollars and that there is a need to know how this is resolved.

Mr. Eckstrom asked what the State's exposure is with regard to brownfield liability. Karen Manning, Commerce's general counsel, said that the Federal government remains liable for any environmental contamination.

Upon a motion by Senator Leatherman, seconded by Mr. Loftis, the Board approved the settlement agreement and the real property transactions associated with the settlement agreement between the Department of Commerce and its Division of Public Railways, the City of North

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Charleston and the North Charleston Sewer District.

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

***Adjournment***

The meeting adjourned at 9:30 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 8:50 a.m. on Tuesday, December 4, 2012.]