

MINUTES OF STATE BUDGET AND CONTROL BOARD MEETING

June 17, 2014 -- 10:00 A. M.

The Budget and Control Board (Board) met at 10:00 a.m. on Tuesday, June 17, 2014, in Room 252 in the Edgar A. Brown Building, with the following members in attendance:

Governor Nikki R. Haley, Chair;

Mr. Richard Eckstrom, Comptroller General;

Senator Hugh K. Leatherman, Sr., Chairman, Senate Finance Committee; and Representative W. Brian White, Chairman, Ways and Means Committee.

Mr. Curtis M. Loftis, Jr., State Treasurer, participated in the meeting via telephone.

Also attending were Budget and Control Board Executive Director Marcia Adams; Chief of Staff Paul Koch; Division Director Nolan Wiggins; General Counsel David Avant; Governor's Chief of Staff Ted Pitts; Treasurer's Chief of Staff Clarissa Adams (via telephone); Comptroller General's Chief of Staff Eddie Gunn; 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 Budget and Control Board agenda as amended to delete executive session item #2 as requested by the State Ports Authority.

Minutes of Previous Meeting

Upon motion by Representative White, seconded by Senator Leatherman, the Board approved the minutes of the April 30, 2014, Budget and Control Board meeting.

Blue Agenda

Upon a motion by Senator Leatherman, seconded by Mr. Eckstrom, the Board approved the blue agenda items as 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 which Board approval was requested:

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

Description of Issue	Agency/Institution (Borrower)	Borrower's Counsel	Issuer's Counsel
\$42,000,000 SC JEDA	Olde York Square Senior Living, LLC	Nexsen Pruet	Haynsworth Sinkler Boyd
\$11,000,000 SC JEDA	Riverview Charter School	Haynsworth Sinkler Boyd	Howell, Linkous & Nettles
\$92,700,000 SC JEDA	USC DF-West Campus, LLC	Haynsworth Sinkler Boyd	McNair Law Firm

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 real property conveyances as requested by the Division of General Services:

- (a) **Agency:** **Budget and Control Board**
Acreage: 1.27± acres and a 13,256 square foot garage, workshop, and office building
Location: 516 Senate Street and 128 Huger Street, Columbia
County: Richland
Purpose: To dispose of surplus real property.
Price/Purchaser: Not less than appraised value/To be determined
Disposition of Proceeds: To be retained by the Budget and Control Board's Division of General Services.
- (b) **Agency:** **Department of Employment and Workforce**
Acreage: 1.13± acres and a 2,450 square foot building
Location: 309 W. Whitner Street, Anderson
County: Anderson
Purpose: To dispose of surplus real property.
Price/Purchaser: Not less than appraised value/To be determined
Disposition of Proceeds: To be retained and/or divided accordingly between the Department of Employment and Workforce and the Budget and Control Board based on federally funded real property requirements and pursuant to Proviso 101.24.
 On December 10, 2013, the Board approved the sale of the building and the primary site consisting of 0.685 acre for not less than the appraised value. The Department of Employment and Workforce is seeking approval to dispose

of an additional 0.446 acre vacant lot along with the primary site. The two tracts are not contiguous as they are separated by an alley.

- (c) **Agency:** **Department of Employment and Workforce**
Acreage: 0.5274± acre and a 2,728 square foot office building
Location: 248 Wall Street, Barnwell
County: Barnwell
Purpose: To retain control and usage of surplus real property previously approved for disposal.
Additional Information: On December 10, 2013, the Board approved the sale of the building and the primary site for not less than the appraised value. The Department of Employment and Workforce is seeking approval to now retain the building to facilitate staff being relocated from other offices to provide services for residents/customers in the Lower Savannah Workforce Development Area.

Mr. Eckstrom asked if other offices would be closed as a result of blue agenda item #2(c) being approved. He also asked if those properties would likely be brought before the Board in the future. Appearing before the Board on behalf of the Division of General Services was Ashlie Lancaster. Ms. Lancaster stated that DEW had the SC Works Center previously located on the property, but made a decision to move into commercial space in the area. She said that the space did not work out for DEW and DEW surplused the property thinking they were not going to use it. She further stated that as a result of changes within the agency, DEW recognized that the space would cost less to serve their clients. She said DEW is asking to move back into the space. Mr. Eckstrom asked if other offices would be closing given that DEW indicated the space was to accommodate staff from other offices. Martha Stevenson with DEW stated that there will be consolidation and better utilization of space. She said the relocation would be from a higher paying area to a lower paying area. Governor Haley commented that she has asked cabinet agencies to look at where they are and go to where they need to be as opposed to being located in big buildings. Mr. Eckstrom commented that commercial lease space is being given up as a result of the consolidation.

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

Division of Procurement Services: Procurement Certification for Winthrop University (Blue Agenda Item #3)

The Division of Procurement Services (Procurement Services), 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):

- a. Winthrop University (for a period of three years): supplies and services, \$200,000* per commitment; consultant services, 200,000* per commitment; information technology, \$200,000* per commitment; printing services, \$200,000* per commitment; 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.

On January 29, 2013, on the recommendation of Procurement Services, the Budget and Control Board reduced Winthrop University's procurement certification due to Procurement Services' last audit findings. As promised, Procurement Services has completed a special audit of the University. The audit results support the restoration of Winthrop's previous certification. The increased certification levels will restore the University to the limits previously granted by the Board on June 12, 2007.

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:

- Winthrop University (for a period of three years): supplies and services, \$200,000* per commitment; consultant services, 200,000* per commitment; information technology, \$200,000* per commitment; printing services, \$200,000* per commitment; 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.

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

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Executive Director: Revenue Bonds (Blue Item #4)

The Board approved the following proposal to issue revenue bonds:

- a. Issuing Authority: Abbeville County
Amount of Issue: Not Exceeding \$8,750,000 Hospital Facilities Revenue Bonds (\$8,130,000 refunding involved)
Allocation Needed: -0-
Name of Project: Abbeville Area Medical Center
Employment Impact: no additional employment
Project Description: A current refunding of two series of hospital revenue bonds pursuant to the authorization of Title 44, Chapter 7, Article 11, Code of Laws of South Carolina 1976, as amended, which were issued by the county to defray a portion of the costs of new facilities for the hospital. The series to be refunded are the; (1) the outstanding principal amount of the originally issued \$9.200,000 Hospital Facilities Revenue Bonds (Abbeville County Memorial Hospital Project), Series 2004; and (2) the outstanding principal amount of the originally issued \$3,800,000 Hospital Facilities Revenue Bond (Abbeville County Memorial Hospital Project), Series 2005.
Bond Counsel: Josiah C. T. Lucas, Pope Zeigler, LLC
(Exhibit 4)
- b. Issuing Authority: Florence County
Amount of Issue: Not Exceeding \$75,000,000 Refunding Hospital Revenue Bonds (\$75,000,000 refunding involved)
Allocation Needed: -0-
Name of Project: McLeod Regional Medical Center
Employment Impact: n/a
Project Description: refund outstanding Series 2004A bonds
Bond Counsel: Ben T. Zeigler, Haynsworth Sinkler Boyd, P. A.
(Exhibit 5)
- c. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: N/E \$11,000,000 Economic Development Revenue Bonds
Allocation Needed: -0-
Name of Project: Riverview Charter School, Inc.
Employment Impact: maintain existing employment for 76 people and providing additional employment for 5 people within 24 months
Project Description: (i) renovating and furnishing the existing school facilities located at 81 Savannah Highway, Beaufort, South Carolina and constructing and equipping a 40,000 square foot addition thereto, to be owned by the Beaufort County School District and leased and operated by Riverview Charter School, Inc., the borrower; (ii)

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funding a debt service reserve fund, if necessary; and (iii) paying certain costs of issuance associated with the bonds.

Note:

private sale

Bond Counsel:
(Exhibit 6)

Kathleen Crum McKinney, Haynsworth Sinkler Boyd, P. A.

- d. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: N/E \$92,700,000 Economic Development Revenue Bonds
Allocation Needed: -0-
Name of Project: USC DF – WEST CAMPUS LLC. Project
Employment Impact: creation of an estimated 75 new jobs
Project Description: (i) defray the cost, including the payment of interim financing costs of construction, acquisition and equipping of an approximately 878-bed rental housing facility for students of the University, including related parking and ground floor retail facilities, located in the city of Columbia, Richland County, South Carolina; and (ii) pay certain costs of issuance of the bond.

Note:

private sale to a financial institution

Bond Counsel:
(Exhibit 7)

Robert S. Galloway, III, Haynsworth Sinkler Boyd, P. A.

Mr. Loftis stated that his office is beginning to work more to understand the true cost of the bonds. He said they are working with the bond community, issuers, and others to more fully understand all of the costs associated with borrowing.

Senator Leatherman said blue agenda item #4(b) for McLeod Hospital in Florence is a refinancing that is a very good savings for the hospital. He said he applauds them for doing what they are doing regarding this matter. Mr. Eckstrom pointed out that the savings are good, but asked why the rating agency fee is high on this issue. Rick Harmon with the Treasurer's Office responded that hospital financing transactions are inherently complex which may account for the rating agency fee. He stated that there are lots of economic factors and the uncertainty of regulatory factors impact the transactions. Mr. Eckstrom asked if it is the uncertainty of the regulatory factors that drives up the fee. Mr. Harmon said that he thinks it is a combination of both.

Public Employee Benefit Authority (PEBA): Approval of PEBA Policy Determination for the South Carolina Retirement System (SCRS) (Regular Session Item #1)

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"), the rates for employee and employer contributions to those plans are preliminarily set by a statutory schedule, but may be increased by the PEBA Board based upon the results of the annual actuarial valuations of the plans. In particular, if the actuarial valuation shows that the plans' current contribution rates are insufficient to maintain a thirty-year amortization period for the plans, the PEBA Board is required to increase the 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) of the Code of Laws.

At the regular meeting of the PEBA Board of Directors on December 18, 2013, the PEBA Board accepted as information the valuation prepared by the PEBA Board's actuary, Gabriel Roeder Smith ("GRS"), for SCRS as of July 1, 2013, and adopted the contribution rates recommended therein. Specifically, because the valuation found that the currently scheduled SCRS contribution rates 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 SCRS contribution rates be increased under Section 9-1-1085(C) from the currently scheduled rates of 8.00% for employees and 10.90% for employers to 8.16% for employees and 11.06% for employers for July 1, 2015, to maintain a thirty-year amortization period for the plan.

Senator Leatherman stated that what the General Assembly did with the Retirement System a year or two ago will have the Retirement System where it needs to be by 2042 and will take away the unfunded liability. He said he applauds the General Assembly and former Senator Greg Ryberg for the work done to take away the unfunded liability.

Mr. Eckstrom commented that he continues to be concerned about the unfunded liability increasing. He said the composition of the increase is due in part to the unfavorable investment

experience in prior years that is being amortized into current years. He noted that the actuaries seem to miss the mark with their estimates year after year. He said the actuaries should be able to estimate the losses a lot closer than they do. He said the plan lost \$700 million last year due to retirements that occurred earlier than expected because of changes to the TERI Program. He stated that the actuaries should have predicted that occurrence.

Danny White with GRS appeared before the Board on this matter. Mr. White stated that Mr. Eckstrom was correct about the retirements during the last year, but they believe that is a onetime event. He said it is a carryover from Act 278 that was passed in 2012. He said among the changes, the TERI Program is going to be phased out after June 30, 2018. He also noted that the changes to the return to work provisions of Act 278 made it more difficult for someone to retire, return to work, and receive benefit payments. He stated that the Act's delayed effective date of January 2, 2013, allowed for an influx of people who took advantage of the less restrictive rules before the rules became more restrictive. He said their calculations have long term assumptions built in that model out for the next twenty to thirty years. Mr. White said the calculations do not reflect the onetime flux of people who took advantage of a provision change. Mr. Eckstrom said he understands the number cannot be nailed down, but with their modeling there should be a range of expected results. Mr. Eckstrom said that given the surprise growth seen yearly in the unfunded liability for things like the flux of people, it seems that assumptions for the range are often time on the most favorable end of the range. Mr. Eckstrom said that for funding purposes it would be beneficial not to head toward the most favorable of the assumption range.

Senator Leatherman asked Mr. White if it was known that things would get worse before they got better once the change was made. Mr. White said that was built into the projections.

Pursuant to Section 9-4-45(A) of the Code of Laws, 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) of the Code of Laws.

Upon a motion by Senator Leatherman, seconded by Representative White, pursuant to Section 9-4-45, the Budget and Control Board unanimously approved the following adjustments

in employer and employee contributions adopted by the PEBA Board for the South Carolina Retirement System (“SCRS”) for the fiscal year beginning July 1, 2015, based upon the actuarial valuation of the system as of July 1, 2013:

1. Increased SCRS employee contribution rate from 8.00% to 8.16% and the SCRS employer contribution rate from 10.90% to 11.06%.

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

Public Employee Benefit Authority (PEBA): Approval of PEBA Policy Determination Members of the General Assembly (GARS) (Regular Session Item #2)

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 of the Code of Laws.

At the regular meeting of the PEBA Board of Directors on December 18, 2013, the PEBA Board accepted as information the valuation prepared by the PEBA Board’s actuary, Gabriel Roeder Smith (“GRS”), for GARS as of July 1, 2013, and adopted the employer contribution of \$4.501 million for the fiscal year beginning July 1, 2015, as recommended therein. This employer contribution is shown as a lump-sum payment because, as a single-employer system with a highly predictable salary base, the contribution is made as a lump-sum rather than as a percentage of covered payroll, like SCRS or PORS. If this GARS employer contribution were reflected as a percentage of covered GARS payroll, the employer contribution would be approximately 167.45% of covered payroll.

Mr. Eckstrom asked what effect the increased employer contribution rate would have on the unfunded liability. Danny White with GRS appeared before the Board on this matter. Mr. White said the issue is that GARS is looking to increase the eligible covered earnings for

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determining benefits. He said an unknown item is whether that will apply just to current active members in GARS or to former members of GARS who are retired members as well.

Representative White stated that the General Assembly made the change to apply only to active members.

Mr. Eckstrom asked if this is the right time to deal with this issue or should the Board wait until the salary matter is settled. Mr. Eckstrom asked Mr. White if his recommendation would be different if the salary matter was settled. Mr. White stated that the recommendation would be different. Justin Werner, an attorney with PEBA, stated that the change is going forward and the Board would not have to have the June 30, 2013, valuation redone.

Mr. Eckstrom moved to carry the item over to the next Board meeting to allow the salary matter to be settled. Representative White said that from what he has heard resolving the salary matter has no bearing on this matter. Mr. Eckstrom responded that was not Mr. White's comment. Mr. Eckstrom said that Mr. White indicated that the Board had the ability to adjust contribution rates. Governor Haley said that the Board could change it if needed. Mr. White said that was correct. Mr. Eckstrom's motion was not seconded.

Pursuant to Section 9-4-45(A) of the Code of Laws, 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) of the Code of Laws.

Upon a motion by Senator Leatherman, seconded by Representative White, pursuant to Section 9-4-45, the Budget and Control Board unanimously 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, 2015, based upon the actuarial valuation of the system as of July 1, 2013:

1. Increased GARS employer contribution from \$4.275 million to \$4.501 million.

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

Public Employee Benefit Authority (PEBA): Actuarial Valuation of the Retirement System for Judges and Solicitors (JSRS) (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 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 of the Code of Laws.

At the regular meeting of the PEBA Board of Directors on December 18, 2013, the PEBA Board accepted as information the valuation prepared by the PEBA Board's actuary, Gabriel Roeder Smith ("GRS"), for JSRS as of July 1, 2013. Because the valuation found that the currently scheduled employer contribution rate of 47.97% was sufficient to satisfy the plan's funding policy, including maintaining an amortization period not exceeding thirty years for the plan, the PEBA Board was not required to make an adjustment in the employer contribution rate for JSRS for July 1, 2015.

Mr. Eckstrom asked what drove the liability experience increase of \$3.3 million. Danny White with GRS appeared before the Board on this matter. Mr. White stated that the liability experience was impacted by the retirement experience that occurred, but was not driven by the TERI Program.

Pursuant to Section 9-4-45(A) of the Code of Laws, 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) of the Code of Laws.

Because there was no adjustment in the employer contribution rate for JSRS for July 1, 2015, from the previously approved rate, there was no action required by the Budget and Control Board regarding that rate, and the actuarial valuation for JSRS as of July 1, 2013, were provided solely for the Budget and Control Board's information.

Upon a motion by Senator Leatherman, seconded by Representative White, the Board received the valuation for JSRS as information.

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

Public Employee Benefit Authority (PEBA): Approval of PEBA Policy Determination for the South Carolina Police Officers' Retirement System (PORS) (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"), the rates for employee and employer contributions to those plans are preliminarily set by a statutory schedule, but may be increased by the PEBA Board based upon the results of the annual actuarial valuations of the plans. In particular, if the actuarial valuation shows that the plans' current contribution rates are insufficient to maintain a thirty-year amortization period for the plans, the PEBA Board is required to increase the 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) of the Code of Laws.

At the regular meeting of the PEBA Board of Directors on December 18, 2013, the PEBA Board accepted as information the valuation prepared by the PEBA Board's actuary, Gabriel Roeder Smith ("GRS"), for PORS as of July 1, 2013, and adopted the contribution rates recommended therein. Specifically, because the valuation found that the currently scheduled PORS contribution rates 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 currently scheduled rates of 8.41% for employees and 13.41% for employers to 8.74% for employees and 13.74% for employers for July 1, 2015, to maintain a thirty-year amortization period for the plan.

Mr. Loftis asked what the combined unfunded liability for all of the plans is. Danny

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White with GRS appeared before the Board on this matter. Mr. White said on an actuarial basis the combined unfunded liability for the smooth assets is \$17.9 billion and under GASB 67 it is \$18.2 billion for SCRS and \$2.1 billion unfunded liability for PORS. Mr. White said the combined figure is approximately \$20 billion.

Pursuant to Section 9-4-45(A) of the Code of Laws, 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) of the Code of Laws.

Upon a motion by Senator Leatherman, seconded by Mr. White, pursuant to Section 9-4-45, the Budget and Control Board 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, 2015, based upon the actuarial valuation of the system as of July 1, 2013:

1. Increased PORS employee contribution rate from 8.41% to 8.74% and the PORS employer contribution rate from 13.41% to 13.74%.

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 National Guard Retirement System (SCNG Plan) (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 National Guard Retirement System ("SCNG Plan"), 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) of the Code of Laws.

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At the regular meeting of the PEBA Board of Directors on December 18, 2013, the PEBA Board accepted as information the valuation prepared by the PEBA Board's actuary, Gabriel Roeder Smith ("GRS"), for the SCNG Plan as of July 1, 2013, and adopted the employer contribution of \$4.591 million for the fiscal year beginning July 1, 2014, as recommended therein. This employer contribution is shown as a lump-sum payment, rather than as a percentage of covered payroll, because the benefits payable under the SCNG Plan are not connected to payroll, but instead consist of a set stipend based upon years of service alone. PEBA does not collect payroll information on National Guard members, and would not be able to reflect the State employer contribution to the SCNG plan as a percentage of covered payroll.

Mr. Eckstrom pointed out that the unfunded actuarial liability for this plan decreased. He said that should be the goal for all of the plans. He noted this plan is easier to administer given the nature of the benefit. Governor Haley recused herself from voting on this item.

Pursuant to Section 9-4-45(A) of the Code of Laws, 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) of the Code of Laws.

Upon a motion by Senator Leatherman, seconded by Mr. Eckstrom, pursuant to Section 9-4-45, the Budget and Control Board approved the following adjustment in employer contributions adopted by the PEBA Board for the National Guard Retirement System ("SCNG Plan") for the fiscal year beginning July 1, 2014, based upon the actuarial valuation of the system as of July 1, 2013 [**Secretary's Note:** Governor Haley abstained from voting on this item. All other members voted for the item]:

1. Increased the SCNG Plan employer contribution from \$4.586 million to \$4.591 million.

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

Division of State Budget: Permanent Improvement Projects (Regular Session Item #6)

Upon a motion by Senator Leatherman, seconded by Representative 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 [Secretary's Note: Representative White abstained from voting on this item. All other members voted for the item.]:

Establish Project for A&E Design

- (a) Summary 7-2014: JBRC Item 2. Clemson University
Project: 9918, Douthit Hills Student Community Construction
Funding Source: \$3,189,780 which includes \$1,852,000 Other, Housing Improvement funds, which are funds that result from bond covenant-required transfers from Housing Operations to allow for the maintenance and replacement of capital assets funded by bond issues, and \$1,337,780 Other, Dining Improvement funds, which are which are funds that result from bond covenant-required transfers from Dining Operations to allow for the maintenance and replacement of capital assets funded by bond issues.
Request: Establish project and budget for \$3,189,780 (\$1,852,000 Other, Housing Improvement and \$1,337,780 Other, Dining Improvement funds) to begin design work to construct a new student housing community at Clemson. The approximately 650,000 square foot Douthit Hills facility will be constructed on 52 acres of property at the front door to the campus and will include 980 beds of apartment style housing designated primarily for upper division students and residence halls with 782 beds designated for Bridge to Clemson students. There will also be a central hub with a 400 seat dining facility and spaces for retail operations, food service venues and student services amenities. The project will also include parking to accommodate residents, visitors and customers, as well as water and electrical infrastructure with an accompanying energy plant. The additional housing space in this project will allow Clemson to retire 483 beds in the Clemson House, producing an increase in net bed inventory of approximately 497 beds for upper division students. University housing had a waiting list of 529 upper division students last year. The project will also move Bridge-to-Clemson students to the campus area, enhancing their safety and integration into campus life.
- (b) Summary 7-2014: JBRC Item 3. College of Charleston
Project: 9654, Rutledge Rivers Residence Hall Renovation
Funding Source: \$165,000 Other, Housing Revenue funds which are funds generated from the Student Housing Fee. The Student Housing fee is assessed to students who live in on-campus housing on a sliding scale based on the

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amenities,
number of beds per room and location of the residence.

Request: Establish project and budget for \$165,000 (Other, Housing Revenue funds) to begin design work to renovate the Rutledge Rivers Residence Hall at the College of Charleston. Rutledge Rivers is a 26,386 square foot residence hall that was vacated during the fall of 2013 following the discovery of moisture intrusion and leaking water pipes. The scope of the renovation will include repairs to address condensation problems and water pipe leaks, as well as the remediation of mold, mildew and asbestos containing materials. Portions of the interior of the facility will also be reconfigured to bring the facility into compliance with current ADA standards. Many of the existing mechanical, electrical and plumbing systems are original to the building, which is 41 years old. The facility cannot be used by students until it is repaired, as previous repairs revealed asbestos containing materials that would create a potential airborne hazard to the building's occupants. Previous attempts at a less comprehensive repair and remediation effort met with limited success. A feasibility study conducted by an independent architectural and engineering firm recommended a comprehensive renovation in order to permanently resolve the facility's extensive health and safety concerns.

(c) Summary 7-2014: JBRC Item 4. State Board for Technical and Comprehensive Education

Project: 6092, Greenville Tech – Building 602 Roof Replacement

Funding Source: \$66,000 Other, Local Funds which are funds allocated by Greenville County in support of college operations and capital improvements.

Request: Establish project and budget for \$66,000 (Other, Local Funds) to begin design work to replace the roof on Building 602 at Greenville Technical College. Building 602 is the former Belk Department Store building, located on the McAlister Square Campus, which was purchased in 1999. Due to its condition, no academic programs are currently located in the building. The scope of the project will include the replacement of the roof, flashing, drains and metal decking. This request is in excess of the 1.5% typically approved for pre-design services as the extensive nature of the roof replacement will require additional engineering and architectural work. Despite repeated patching efforts, the roof consistently leaks during rain events. The current roof is over 25 years old and has exceeded the normal life expectancy. The roof is exhibiting spongy weak spots, cracking and splitting. An independent feasibility study revealed that the underlying metal deck is also deteriorating.

(d) Summary 7-2014: JBRC Item 5. State Board for Technical and Comprehensive Education

Project: 6093, Tri-County Tech – Pendleton Success Center/Central Plant

Funding Source: \$624,000 Other, County/Plant Funds which are funds allocated by Anderson, Pickens and Oconee counties in support of college operations and capital improvements.

Request: Establish project and budget for \$624,000 (Other, County/Plant Funds) to begin design work to construct a new Student Success Center, repurpose and refurbish Ruby Hicks Hall, and to construct an associated energy plant on the Pendleton Campus of Tri-County Technical College. A feasibility study was conducted to determine the best way to address the maintenance needs of several campus buildings as well as the need for additional space for student support services. The new Student Success Center will house a learning commons and associated group study space, computer labs, campus store, café and shipping and receiving area. The construction of the Student Success Center will allow for swing space to accommodate the renovation of Ruby Hicks Hall, which is currently houses the library and administrative office spaces. Upon renovation, Ruby Hicks will become a One-Stop/Student Services center. Ruby Hicks is 26 years old, and most of the systems are original to the building. A new Central Plant, located in the basement of the Student Services Center, will provide cooling for campus buildings via an energy loop system. Several campus HVAC systems are approaching the end of life and the installation of a new, integrated system will result in energy savings and reduced maintenance costs. Enrollment at Tri-County Technical College has doubled since 2001, and in order to meet student demand for increased instructional space the amount of space dedicated to student support services has steadily declined to the point it is no longer adequate to meet the needs of the student population.

Establish Construction Budget

(e) Summary 7-2014: JBRC Item 7. Francis Marion University

Project: 9568, Medical and Health Science Complex Construction

Funding Source: \$15,500,000 which includes \$10,500,000 Other, Private Gift funds, which are comprised of a \$3,000,000 grant from the City of Florence specifically for this project and a \$7,500,000 grant from the Drs. Bruce and Lee Foundation, \$3,250,000 Other, Lottery funds which were appropriated by the General Assembly specifically for this project, and \$1,750,000 Capital Reserve Funds which were appropriated by the General Assembly specifically for this project.

Request: Increase budget to \$15,500,000 (add \$15,267,500 - \$1,750,000 Capital Reserve Fund, \$10,267,500 Other, Private Gift funds and \$3,250,000 Other Lottery funds) to construct a Medical and Health Sciences Complex in downtown Florence. The project was established for pre-design in February 2014, which is now complete. The new multi-level facility will have approximately 50,000 square feet and will accommodate a variety of the University's Medical and Health Science Programs to include the already approved Masters in Family Nurse Practitioner Program, Masters in Nurse Educator Program, and Masters in Applied Psychology Program. The facility will also be able to accommodate the Physician Assistant Program, which is currently pending approval by the Commission on Higher Education. Also, the facility will house the third and

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fourth year USC Medical Student Program. The facility will include classrooms, conference rooms, locker rooms and offices. The site plan also includes sidewalks, parking and landscaping features, as well as exterior lighting and a security system. The project will be constructed to LEED Silver certification. The agency reports the total projected cost of this project is \$15.5 million and that the projected date for execution of the construction contract is October 2014. (See Attachment 1 for this agenda item for additional annual operating costs.)

- (f) Summary 7-2014: JBRC Item 8. Coastal Carolina University
Project: 9604, Football Stadium Field Turf
Funding Source: \$1,250,000 Other, Coastal Athletic Foundation gift funds which are a gift to the university from the Foundation specifically for this purpose.
Request: Increase budget to \$1,250,000 (Other, Coastal Athletic Foundation Gift funds) to replace the current field in Brooks Stadium with turf. The work will include the installation of a turf field, goal posts and water cannons. The agency is requesting Phase I and Phase II approval simultaneously as this project was initially begun as an internal renovation project under \$1,000,000 using funds that were a gift from the Coastal Athletic Foundation. When the project was bid, the low bid exceeded the anticipated project cost. Brooks Stadium is currently shared by two varsity sports programs, the football program and the women's lacrosse program. Turfing the field will provide additional practice space for these programs and help free up other practice space for use by student intramural and club sports, as well as other varsity sports teams. The agency reports the total projected cost of this project is \$1,250,000 and no additional operating costs are anticipated in association with this project. The agency plans to execute the construction contract in December 2014 with completion of construction in April 2015.
- (g) Summary 7-2014: JBRC Item 9. University of South Carolina
Project: 6093, Rutledge College and Legare/Pinckey Comprehensive Renovation
Funding Source: \$15,800,000 which includes \$7,150,000 Revenue Bonds which are debt instruments supported by revenues related to housing, \$7,150,000 Other, Housing Maintenance Reserve funds which are derived from housing fees, laundry operations, conferences and interest and \$1,500,000 Other, Institutional Funds which are funds available to the university from a variety of sources including tuition and fees, sales and services activities and other miscellaneous sources.
Request: Increase budget to \$15,800,000 (add \$15,550,250 - \$7,150,000 Revenue Bonds, \$6,900,250 Other, Housing Maintenance Reserve and \$1,500,000 Other, Institutional Funds) to preform comprehensive renovations on Rutledge College and Legare/Pinckney College. This project was established for design work in December 2011, which is now complete. The Rutledge College renovation and the Legare/Pinckney College renovation were originally two separate projects, but due to similarities in the work planned in each building

these projects were combined in May 2012 in an effort to capture efficiencies of scale and allow the two to be bid as a single project. The area to be renovated encompasses 49,461 square feet. The work in the housing portion of the buildings will include replacing the mechanical, electrical, and plumbing systems, installing new finishes, replacing all doors and windows, installing a card access system, electronic locks, and fire suppression system, and replacing all case work and furnishings. The work in the academic portion of the facility will be limited to modifications of systems and exterior improvements required to coordinate with upgrades in the housing section. The renovation is needed to support the University's mission by maintaining residence halls in a manner that attracts and retains a high achieving student population, to address deferred maintenance, and to protect the institutional asset built in 1805. The renovations will be performed to LEED Silver certification and will include sustainable sites, energy and atmosphere, indoor environmental quality and other measures. The LEED cost benefit analysis shows a positive cost benefit of \$410,058 over 30 years. The agency reports total projected cost of this project is \$15.8 million, and no additional annual operating no additional operating costs are anticipated in association with this project. The agency also reports the projected date for execution of the construction contract is January 2015 and the projected date for completion of construction is July 2016.

Increase Budget

(h) Summary 7-2014: JBRC Item 10. Coastal Carolina University

Project: 9580, Softball/Baseball Complex Improvements

Funding Source: \$15,250,933 which includes \$2,000,000 Other, Coastal Athletic Foundation gift funds which are a gift to the university from the Foundation specifically for this purpose, \$450,000 Renovation Reserve/Plant Expansions funds which are derived from a \$150 per semester student fee specifically for renovations, repairs and additions to campus facilities and \$12,800,933 Other, Auxiliary, Institutional Capital Project, Renovation Reserve/Plant Expansion and Gift funds previously approved for use in this project.

Request: Increase budget to \$15,250,933 (add \$2,450,000 - \$2,000,000 Other, Coastal Athletic Foundation gift funds and \$450,000 Other, Renovation Reserve/Plant Expansion funds) to accept a gift of cash and to increase the budget for additional improvements to Coastal Carolina's Softball/Baseball complex. The project was established for pre-design in March 2011, increased to establish the construction budget in December 2011, and modified in December 2013 to accept another Coastal Athletic Foundation gift. The Coastal Athletic Foundation has agreed to provide a cash gift to assist with the construction of the softball complex bullpens, the baseball complex berm, boardwalks, pitching mounds, bridges drainage, the outfield wall, batters eye and foul territory turf. The project budget is being increased to accept a gift of \$2 million from the Coastal Athletic Foundation and to add \$450,000 of college renovation reserve funds to complete these upgrades. These additions will

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enhance the overall facilities in the complex. The agency reports the total projected cost of this project, including the gifts, is \$15,250,933 and total additional annual operating costs of \$212,050 will result from the project in the three years following project completion. (See Attachment 2 for this agenda item for additional annual operating costs.)

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

Division of General Services: SC Department of Social Services Lease (Regular Session #7)

The SC Department of Social Services requested approval to continue leasing 22,000 square feet of rentable space located at 714 North Pleasantburg Drive in Greenville from North Pointe Buildings, LLC, a South Carolina based company, for its Regional Child Support Services division. The selected location meets the agency's need to locate near the Greenville County Family Court and the SC Department of Social Services Greenville Main Office. It also includes adequate parking of 130 spaces.

A solicitation was conducted and two (2) responses were received. With consideration for moving costs, remaining in the current location shows a savings of \$66,110.00. Additionally, the new lease removes all operating expense escalations providing an estimated savings of \$134,475 over the life of the term. The lease term will be seven (7) years beginning September 1, 2014 at a rate of \$14.25 per square foot for the first year, which is a reduction from their current rate of \$14.43 per square foot. Thereafter, basic rent increases three (3) percent annually as shown in the chart below:

Year	Base Rent Rate/SF	Annual Rent
1	\$14.25	\$313,500.00
2	\$14.68 (rounded)	\$322,959.96
3	\$15.12	\$332,640.00
4	\$15.57	\$342,540.00
5	\$16.04 (rounded)	\$352,880.04
6	\$16.52 (rounded)	\$363,440.04
7	\$17.02 (rounded)	\$374,439.96
Total		\$2,402,400.00

The following table represents comparable lease rates of similar business space in the Greenville area:

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Agency	Location	Base Rent Rate/SF
Governor’s Office – Continuum of Care	37 Villa Road	\$14.50
SC Department of Motor Vehicles	300 University Ridge	\$14.95
SC Vocational Rehabilitation Department	301 North Main Street	\$15.00
Vacant	770 Pelham Road	\$17.50
Vacant	116 South Pleasantburg Drive	\$16.50*
Vacant	870 South Pleasantburg Drive	\$15.75*
Vacant	401 Brookfield Parkway	\$15.75*

*These rates do not include operating expenses.

Additionally, there are adequate funds for the lease according to a Budget Approval Form and multi-year plan submitted by the Agency. The lease was approved by JBRC at its June 4, 2014 meeting.

Upon a motion by Representative White, seconded by Senator Leatherman, the Board approved the proposed 7 year lease for the SC Department of Social Services at 714 North Pleasantburg Drive in Greenville .

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

University of South Carolina: Not Exceeding \$8,200,000 Principal Amount Higher Education Revenue Bonds of the University of South Carolina Series 2014 and Not Exceeding \$20,000,000 Principal Amount Higher Education Refunding Revenue Bonds of the University of South Carolina Series 2014 (Regular Session Item #8)

The Board was asked to adopt a resolution making provision for the issuance and sale of not exceeding \$8,200,000 Principal Amount Higher Education Revenue Bonds of the University of South Carolina Series 2014 and not exceeding \$20,000,000 Principal Amount Higher Education Refunding Revenue Bonds of the University of South Carolina Series 2014.

The proceeds of the Series 2014 bonds will be used to (i) reimburse the University for capital expenditures previously made in connection with, and to pay the costs of, renovating the Rutledge and Pinckney/Legare residence halls located on the University’s Columbia Campus; (ii) pay capitalized interest on the Series 2014 bonds, if any; (iii) provide for the Series 2014 Reserve Requirement, if any; (iv) pay certain costs and expenses related to the issuance of the

Series 2014 bonds; (v) provide for credit enhancement with respect to the Series 2014 bonds, if any. In addition, the principal amount of the Series 2014 bonds may be increased by an amount not exceeding \$20,000,000 (such \$20,000,000 portion of the Series 2014 bonds being the “refunding bonds”), if so determined, and the proceeds of the such refunding bonds will be used to refund all or a portion of the outstanding bonds of the University’s \$12,400,000 original principal amount Higher Education Revenue Bonds, Series 2005A and \$13,995,000 original principal amount Higher Education Revenue Bonds, Series 2006A.

Upon a motion by Senator Leatherman, seconded by Representative White, the Board adopted a resolution making provision for the issuance and sale of not exceeding \$8,200,000 Principal Amount Higher Education Revenue Bonds of the University of South Carolina Series 2014 and not exceeding \$20,000,000 Principal Amount Higher Education Refunding Revenue Bonds of the University of South Carolina Series 2014.

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

Future Meeting

Upon a motion by Representative White, seconded by Senator Leatherman, the Board agreed to meet at 10:00 a.m. on Tuesday, August 12, 2014, in Room 252, Edgar A Brown Building.

Department of Public Safety: Legal Settlement (Executive Session Item 1)

The Board was asked to consider approval of a legal settlement on behalf of the Department of Public Safety.

Upon a motion by Mr. Eckstrom, seconded by Representative White, the Board approved a legal settlement on behalf of the Department of Public Safety.

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

Adjournment

The meeting adjourned at 10:40 a.m.

[Secretary’s Note: In compliance with Code Section 30-4-80, public notice of and the

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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 9:45 a.m. on Monday, June 16, 2014.]