

MINUTES OF STATE BUDGET AND CONTROL BOARD MEETING

June 27, 2012 -- 9:00 A. M.

The Budget and Control Board (Board) met at 9:00 a.m. on Wednesday, June 27, 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; Acting General Counsel Paul Koch; Governor's Deputy Chief of Staff for Policy, Budget, and Cabinet Affairs Ted Pitts; 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; 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 proposed.

Minutes of Previous Meeting

Upon a motion by Mr. White, seconded by Senator Leatherman, the Board approved the minutes of the May 9, 2012, Budget and Control Board meeting.

Blue Agenda

Upon a motion by Mr. Eckstrom, seconded by Senator Leatherman, the Board approved the blue agenda items.

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

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

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

Description	Agency/Institution	Borrower's	Issuer's
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of Issue	(Borrower)	Counsel	Counsel
\$5,100,000 SC JEDA	Sterling Land Trust	Haynsworth Sinkler Boyd	Parker Poe
\$100,000,000 SC JEDA	CareAlliance Health Services	Haynsworth Sinkler Boyd	Howell Linkous & Nettles
\$6,500,000 SC JEDA	Oakbrook Preparatory School	Haynsworth Sinkler Boyd	McNair Law Firm
\$8,500,000 SC JEDA	RCB Hospitality #3, LLC	Howell Linkous & Nettles	Haynsworth Sinkler Boyd
\$15,000,000 SC JEDA	Lutheran Homes of SC	Haynsworth Sinkler Boyd	Parker Poe

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

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

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

- (a) County Location: Charleston
From: Patriot's Point Development Authority
To: Commissioners of Public Works of the Town of Mount Pleasant
Consideration: \$100
Description/Purpose: To grant a 0.22 acre perpetual easement for the construction, location, installation, operation, maintenance, repair and replacement of one or more underground sewer lines and/or water lines located on Parcel E at Patriot's Point.

- (b) County Location: Charleston
From: Patriot's Point Development Authority
To: Commissioners of Public Works of the Town of Mount Pleasant
Consideration: \$100
Description/Purpose: To grant a 0.11 acre perpetual easement for the construction, location, installation, operation, maintenance, repair and replacement of one or more underground sewer lines and/or water lines located on Parcel 3 at Patriot's Point.

- (c) County Location: Richland
From: Department of Mental Health

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To: City of Columbia
Consideration: \$1
Description/Purpose: To approve the transfer of title to the remaining water lines together with an easement for the purpose of ingress, egress, operation, reconstruction and maintenance of said lines serving the Tucker Nursing Care Center located on Harden Street.
The existing water lines are being rerouted as a result of the pending sale of the Bull Street Campus.

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

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

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

(a) **Agency:** **Budget and Control Board (Forestry Commission)**
Acreage: 1.75± acres
Location: On Sandy Ridge Road, Dillon
County: Dillon
Purpose: To dispose of surplus property previously used by the Forestry Commission as a fire tower site.
Appraised Value: \$12,000 as of 4/20/12
Price/Transferred To: \$12,000/Dillon County
Disposition of Proceeds: To be retained by Forestry Commission pursuant to Proviso 80A.33.
Additional Information: Forestry owns 10 acres consisting of two parcels in Dillon County known collectively as the Dillon Fire Tower Site. One parcel containing 1± acre is located ½ mile from the second larger parcel containing 9± acres. Dillon County leases a 0.936 acre lot within the 9-acre parcel for use as a recycling center. Dillon County desires to purchase 1.75 acres for its continued use of the property.

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

Executive Director: Revenue Bonds (Blue Agenda Item #4)

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The Board approved the following proposals to issue revenue bonds:

- a. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: N/E \$11,000,000 Health Facilities Refunding Revenue Bonds (\$10,340,000 refunding involved)
Allocation Needed: -0-
Name of Project: Covenant Place of Sumter, Inc.
Employment Impact: maintain 137 existing jobs and 10 new jobs within 12 months
Project Description: refund outstanding Series 1998 bonds used to finance acquisition and construction of senior adult retirement community and costs of addition of units for patients with Alzheimer's Disease and other forms of dementia
Note: *private sale*
Bond Counsel: Kathleen Crum McKinney, Haynsworth Sinkler Boyd, P. A.
(Exhibit 4)
- b. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: \$15,000,000 Economic Development Revenue Bonds (\$15,000,000 refunding involved)
Allocation Needed: -0-
Name of Project: The Lutheran Homes of South Carolina, Inc.
Employment Impact: 612 (maintain)
Project Description: a 176-bed nursing care facility, a 48-bed Alzheimer addition, and related improvement in Richland County, located in White Rock, and a 100-bed continuing care retirement community in Richland County located on Powell Road near the intersection of Farrow Road and Interstate Highway No. 77; a 136-bed continuing care retirement facility in Charleston County, located at 1885 Rifle Range Road in Mt. Pleasant, and a 76-bed unit continuing care retirement facility in Aiken County, located at 213 Laurens Street, in Aiken.
Note: *negotiated private sale*
Bond Counsel: F. Mitchell Johnson, Jr., Haynsworth Sinkler Boyd, P. A.
(Exhibit 5)
- c. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: \$8,410,000 Economic Development Revenue Bonds
Allocation Needed: -0-
Name of Project: RCB Hospitality #3, LLC
Employment Impact: maintain 48 jobs; create 2 to 8 new jobs in 12 months; 1 to 3 new jobs in 24 months
Project Description: to finance a portion of the costs of acquiring, constructing, renovating, furnishing, and equipping renovations and improvements to the 159-room Radisson Hotel Charleston Airport
Note: *private sale*

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Bond Counsel: Samuel W. Howell, IV, Howell Linkous & Nettles,
(Exhibit 6)

- d. Issuing Authority: State Housing and Finance Authority
Amount of Issue: \$6,530,000 Multifamily Rental Housing Revenue bonds
Allocation Needed: -0-
Name of Project: St. Andrews Apartments
Employment Impact:
Project Description: acquisition, rehabilitation, furnishing and equipping of a 150-unit multifamily rental housing facility located in Columbia
Bond Counsel: John Van Duys, Haynsworth Sinkler Boyd, P. A.
(Exhibit 7)

Department of Corrections: Appeal of a State Employee Grievance Committee Decision (B#5)

The S.C. Department of Corrections requested approval to appeal to the Administrative Law Court the decision of the State Employee Grievance Committee (Committee) in the Johnnie L. Bryant appeal.

The Board approved the request made by the S. C. Department of Corrections to appeal to the Administrative Law Court the decision of the State Employee Grievance Committee in the Johnnie L. Bryan appeal.

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

Division of State Budget: Permanent Improvement Projects (Regular Session Item #1)

With regard to regular session item 1(g) Mr. Eckstrom asked if the State has to actually spend the \$250,000 in design before it applies for the federal assistance, or if it simply has to commit to spend and then apply so that if the federal funds are not approved, the State has no obligation to continue forward with the design. Howard Metcalf, the Governor's Office Director of Veterans Affairs, said that Mr. Eckstrom was correct. He said the agency used the original \$30,000 to get the estimate and the \$250,000 is to show that the State is committed to the project, but none of that is actually on the State to spend. Mr. Eckstrom asked what the

\$30,000 was Mr. Metcalf was referring to. Mr. Metcalf said that it was for the designers to get an estimate on how much the final amount of the grant would be.

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

Establish Project for A&E Design

- (a) Summary 8-2012: JBRC Item 1. Clemson University
Project: 9901, Memorial Stadium West End Zone Component III Construction
Funding Source: \$225,000 Other, Private Athletics funds which are private gifts received from individuals, corporations and other entities that are to be expended for their restricted purpose.
Request: Establish project and budget for \$225,000 (Other, Private funds) to begin design work to construct the third and final phase of updates to the west end zone of Clemson's Memorial Stadium. The final phase will include the addition of the One Clemson Museum and a build out of the entrance to the WestZone Complex, known as the Oculus. The two components will total approximately 6,000 square feet and consist of the construction of a four-level structure and the expansion of the adjacent existing plaza. The One Clemson Museum will include a lobby, interactive exhibits and displays, a rooftop terrace for special events, a theater for seating 75-100, and gallery space to showcase the university's athletic, academic and military heritage in one location. The facility addition will complete the overall buildout of the WestZone Complex and the overall vision for improvements to the football facility.

- (b) Summary 8-2012: JBRC Item 2. Clemson University
Project: 9902, Kingsmore Stadium Addition
Funding Source: \$161,250 Other, Private Athletics funds which are private gifts received from individuals, corporations and other entities that are to be expended for their restricted purpose.
Request: Establish project and budget for \$161,250 (Other, Private funds) to begin design work to construct an approximately 20,000 square foot addition to Doug Kingsmore Baseball Stadium at Clemson. The work will include demolishing existing player facilities and constructing new player amenities behind the first base stands. The new facility will include locker rooms, team areas, meeting space, a gallery and lobby, a player's lounge, coaches' offices, a laundry room and related spaces. The existing baseball player facility is small and outdated. The new facility is needed to provide modern player facilities that are comparable to those in the ACC and at other institutions with whom Clemson must compete. The facility will allow Clemson to meet today's needs to be

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competitive and will also serve in future recruitment.

- (c) Summary 8-2012: JBRC Item 3. Clemson University
Project: 9903, Watt Innovation Center Construction
Funding Source: \$243,000 Other, Private Gift funds which are private gifts received from individuals, corporations and other entities that are to be expended for their restricted purpose.
Request: Establish project and budget for \$243,000 (Other, Private funds) to begin design work to construct a cutting-edge teaching and research facility at Clemson. The Watt Innovation Center will be approximately 40,000 square feet and will include classrooms, labs, learning studios and collaboration areas for science, technology and engineering that yield collaboration, cross discipline communication, teaching and research that lead to innovation. It will provide additional academic space for the College of Engineering and Science and the College of Business and Behavioral Sciences. The facility is needed to meet key goals outlined in the University's 2020 Road Map relating to student leadership, teaching and research and to diminish the current deficit of instructional space.
- (d) Summary 8-2012: JBRC Item 4. College of Charleston
Project: 9650, Simons Center for the Arts Renovation/Expansion
Funding Source: \$315,000 Other, College Fee funds which are derived from a portion of the student bill not specifically earmarked or dedicated for debt service, auxiliary enterprises, or student clubs or activities.
Request: Establish project and budget for \$315,000 (Other, College Fee funds) to begin design work to renovate and expand the Simons Center for the Arts at the College of Charleston. The work will include renovating the existing 102,325 square foot center and constructing an approximately 25,096 square foot addition. The new construction will provide a state-of-the-art black box theater and lobby areas to connect performance venues within the facility. The renovation will include expanding storage and studio space for the costume shop, renovating the Emmett Robinson Theater and support spaces for performance areas, upgrading studios, labs, and offices, and replacing the mechanical, electrical and plumbing systems. The facility was constructed in 1979 and has had no major renovations since that time. The renovation and expansion are needed to provide updated infrastructure, meet current codes, and provide space for current and future needs.
- (e) Summary 8-2012: JBRC Item 5. University of South Carolina
Project: 6096, Outdoor Football Practice Fields Construction
Funding Source: \$45,000 Athletic Operating funds which are generated from athletic revenues which consist of ticket sales, SEC Conference Distributions, Gamecock Club contributions, seat premiums, and corporate sponsorships.
Request: Establish project and budget for \$45,000 (Athletic Operating funds) to begin design work to develop two outdoor football practice fields for USC. The

fields will be located on the former Farmer's Market site and the work will include grading and irrigating the site, constructing drainage, and installing turf, lighting, film towers, and goal posts. Existing practice fields are located on leased property and the university has decided to develop permanent fields on its own property rather than to invest in improvements to leased property.

- (f) Summary 8-2012: JBRC Item 6. Department of Mental Health
Project: 9724, Bryan/Morris Village Energy Plant Chiller Replacements
Funding Source: \$15,000 Other, Operating Revenue funds which are Medicaid fee-for-service earned revenue funds resulting from DMH contracts with DHHS to provide Medicaid services.
Request: Establish project and budget for \$15,000 (Other, Operating Revenue funds) to begin design work to replace the two chillers at the energy plant serving Mental Health's Bryan Hospital and Morris Village. The work will include replacing a 1,100 ton chiller, a 700 ton chiller and the associated pumps, piping and controls. The large chiller is more than 37 years old, the smaller chiller is 24 years old, and both have exceeded their life expectancy. The smaller chiller cannot meet the cooling demand in the summer months and a recent inspection of the large chiller found problems with the rotor. Replacements are needed to ensure Bryan Hospital and Morris Village have adequate cooling.

Increase for A&E Design

- (g) Summary 8-2012: JBRC Item 8. Governor's Office - OEPP
Project: 9522, M.J. Dolly Cooper Veterans Cemetery Areas I and J Expansion
Funding Source: \$250,524 Other, Increased Enforcement Collections funds which were part of an appropriation under Proviso 73.17 in the FY 05-06 Appropriations Act.
Request: Increase budget to \$250,524 (add \$220,524 Other, Increased Enforcement Collection funds) to provide funds for full design for the expansion of the Dolly Cooper Veterans Cemetery in Anderson. The project was established in May 2011, increased for additional pre-design fees in January 2012, and pre-design is complete. In order for the Department of Veterans Affairs to apply for a federal grant to expand the cemetery, the agency must provide proof that the State has legislative authority to support the project and the resources necessary to initially fund the architectural and engineering portion of the project. This request is to demonstrate that those conditions are being met so that the department can apply for the federal funds for construction. The work will include constructing approximately 1,675 double-depth in-ground crypts in Areas I and J, providing up to 3,350 additional burial spaces, constructing an in-ground irrigation system for Areas H, I and J, and modifying storm drainage flows at columbarium walls in four areas. The existing supply of in-ground crypts will be exhausted during 2012.

Establish Construction Budget

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- (h) Summary 8-2012: JBRC Item 9. Clemson University
Project: 9890, Barnett Hall HVAC and Windows Renovation
Funding Source: \$4,000,000 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: Increase budget to \$4,000,000 (add \$3,985,000 Other, Housing Improvement funds) to make certain renovations to Barnett Hall dormitory at Clemson. The project was established in June 2010 for pre-design work which is now complete. The renovation will include replacing the two-pipe HVAC system with a four-pipe system, replacing single pane windows with thermal pane windows, abating asbestos as needed to renovate the HVAC system, and replacing existing built-in furniture. Barnett Hall was built in 1964 and has not had an HVAC or window renovation since. The two-pipe HVAC system is inadequate to maintain necessary temperature and humidity levels for occupants and the windows are not energy efficient. Energy savings and conservation measures will include the installation of an energy efficient HVAC system and thermal, insulated pane windows. The agency reports the total projected cost of this project is \$4 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 January 2013 and for completion of construction is August 2013.
- (i) Summary 8-2012: JBRC Item 10. College of Charleston
Project: 9640, School of Science and Mathematics Completion
Funding Source: \$11,000,000 Other, Institutional Capital Project Funds which are revenues generated by the Capital Improvement Fee that are in excess of the current annual debt service related to bonds that have been issued.
Request: Increase budget to \$11,000,000 (add \$10,820,000 Other, Institutional Capital Project Funds) to complete unfinished shell space remaining in the School of Science and Math at the College of Charleston. The project was established in December 2009 for pre-design work which is now complete. The 127,576 square foot building was completed in 2009 with approximately 19,000 square feet of shell space remaining. The completion will include upfitting and completing 11 offices on the first floor and upfitting and completing classrooms, labs, offices and support spaces on the second floor to accommodate geology functions currently located in the Rita Hollings Science Center. The work will include extending piping, installing ceilings, walls and floors, and constructing laboratory casework. Energy savings and conservation measures will include the installation of energy recovery wheels, low flow plumbing fixtures, low velocity fume hoods, and chilled beam technology. The agency reports the total projected cost of this project is \$11 million and additional annual operating costs of \$64,500 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is October 2012 and for completion of

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construction is December 2013. (See Attachment 1 for this agenda item for additional annual operating costs.)

- (j) Summary 8-2012: JBRC Item 11. University of South Carolina
Project: 6085, Women's Quadrangle Renovations
Funding Source: \$27,200,000 Housing Revenue Bonds, which are bonds issued by the institution which are supported by the revenues of the related activity, in this case supported by housing fees.
Request: Increase budget to \$27,200,000 (add \$26,792,000 Revenue Bond funds) to renovate dorms on the Women's Quadrangle at USC to create a living and learning center. The project was established in March 2011 for pre-design work which is now complete. The renovations to the Sims, McClintock, and Wade Hampton dorms will include reconfiguring interior spaces, constructing small connecting additions to improve the flow and add 50 additional beds, creating common gathering areas and laundry facilities, installing new elevators, replacing the mechanical, electrical, plumbing and fire protection systems, and renovating the central courtyard into more functional space. The renovations are the next major upgrade priority for University Housing and are needed to keep the facilities in desirable condition and to replace building systems due to their age and condition. The facility will be renovated to LEED Silver Certification and will include sustainable sites, water efficiency, energy and atmosphere, materials and resources, and indoor environmental quality measures. The LEED cost benefit analysis shows a positive cost benefit of \$1,088,912 over 30 years. The agency reports the total projected cost of this project is \$27.2 million and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the construction contract is March 2013 and for completion of construction is July 2014.
- (k) Summary 8-2012: JBRC Item 12. USC – Upstate
Project: 9541, Administration Building Repairs and Renovation
Funding Source: \$4,000,000 which includes \$3,800,000 Institution Bonds which are bonds issued by the University and backed by a Bond Debt Service Fee, and \$200,000 Other, Institutional Capital Project Funds which are excess debt service funds generated from the portion of tuition and fees designated for Bond and Renovation Reserve.
Request: Increase budget to \$4,000,000 (add \$3,940,000 - \$3,800,000 Institution Bonds and \$140,000 Other, Institutional Capital Project Funds) to renovate building systems in the Administration Building at USC - Upstate. The project was established in March 2011 for pre-design work which is now complete. The work will include replacing the HVAC, plumbing, lighting and fire alarm systems, replacing ceilings and attic insulation, and upgrading interior finishes in public restrooms. The work is needed to correct major deficiencies with the building systems in the 44 year-old building and to meet code requirements. Portable cooling and supplemental mechanical units have been installed to enable building

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operations. The electrical systems are undersized, plumbing systems are outdated, and the fire alarm system does not meet code requirements. The work will significantly reduce the deferred maintenance in this building. Energy savings and conservation measures will include the installation of energy efficient HVAC and lighting, sprayed foam insulation, a building control system, light occupancy sensors, and low flow plumbing fixtures. The agency reports the total projected cost of this project is \$4 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 February 2013 and for completion of construction is December 2013.

- (l) Summary 8-2012: JBRC Item 13. Educational Television Commission
Project: 9514, Telecommunications Center Renovation
Funding Source: \$6,919,987 which includes \$5,275,000 Other, Sale Proceeds funds which were derived from the sale of ETV's Key Road property to the University of South Carolina and allowed to be used for this renovation by Proviso 80A.33 in the 2011-12 Appropriations Act and \$1,644,987 Other, ETV Operating Revenue and Donation funds approved for prior phases of renovations already completed.
Request: Increase budget to \$6,919,987 (add \$5,275,000 Other, Sale Proceeds funds) to renovate the Telecommunications Center for ETV. The project was established in November 2000 for multi-phase renovations to the center to consolidate all Columbia staff in this building and pre-design for this phase is now complete. This phase will include renovating 21,294 square feet of unfinished and finished space, doing some HVAC, electrical and structural work, replacing the facility's roof, and constructing a 6,430 square foot addition. The renovation and addition will provide new office and storage space for staff and assets currently housed in the Administration Building, which is being sold to USC. Energy savings and conservation measures will include the installation of energy efficient lighting and heat pumps, occupancy sensors, multi-level switching, and concrete block walls and an exterior insulation finish system on the addition. The agency reports the total projected cost of this renovation is \$5,275,000 and of the multi-phase project is \$6,919,987 and annual operating cost savings ranging from \$100,000 to \$200,000 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is November 2012 and for completion of construction is December 2013. (See Attachment 2 for this agenda item for annual operating cost savings.)
- (m) Summary 8-2012: JBRC Item 14. Department of Corrections
Project: 9702, Kirkland Correctional Institution Chiller Replacement
Funding Source: \$1,030,000 Capital Improvement Bonds funds which were authorized in 1997 and allowed to be used for major renovations and repairs by Proviso 51.14 of the 2011-12 Appropriations Act.
Request: Increase budget to \$1,030,000 (add \$1,017,500 Capital Improvement Bond funds) to replace the chiller system at Kirkland Correctional Institution. The project

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was established in November 2011 for pre-design work which is now complete. The work will include replacing the chiller, cooling tower, pumps and piping serving the Administration Building, kitchen, infirmary, reception and evaluation building, education building and special needs dorm. The HVAC system is 21 years old, is not energy efficient, and does not provide the capacity for the infirmary to meet DHEC requirements. Parts for repairs are obsolete, so repairs are expensive. Energy savings and conservation measures will include the installation of an energy efficient chiller and building control systems. The agency reports the total projected cost of this project is \$1,030,000 and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the construction contract is January 2013 and for completion of construction is October 2013.

(n) Summary 8-2012: JBRC Item 15. Clemson PSA

Project: 9545, Farm Animal Research Center Construction/Renovation

Funding Source: \$3,600,000 Appropriated State funds which were supplemental appropriations provided by Proviso 73.12 of the 2007-08 Appropriations Act for Clemson PSA.

Request: Increase budget to \$3,600,000 (add \$2,680,000 Appropriated State funds) to do the next phase of renovations at the Clemson Farm Animal Research Center. The project was established in December 2009 for pre-design work and increased in December 2010 to begin renovations to small animal facilities. This phase will include renovating the milking parlor, the calving barn corral sheds, and the Douthit House and constructing a new dairy freestall barn and Jones Road corral. It will also include installing a new irrigation system, improving the water system, replacing fencing, and repairing the existing dairy. The existing animal facilities are more than 30 years old and require costly maintenance to ensure continued accreditation by the American Association of Laboratory Animal Care and continued compliance with state and federal biosecurity regulations and DHEC waste management regulations. Energy savings and conservation measures will include the installation of energy efficient equipment and renovations to minimize energy use during operations. The agency reports the total projected cost of this project is \$3,600,000 and additional annual operating costs ranging from \$20,800 to \$22,067 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is January 2013 and for completion of construction is January 2016. (See Attachment 3 for this agenda item for additional annual operating costs.)

(o) Summary 8-2012: JBRC Item 16. Department of Parks, Recreation and Tourism

Project: 9722, Hamilton Branch State Park Roads and Parking Improvements

Funding Source: \$2,537,000 which includes \$2,500,000 Federal funds from the Federal Highway Administration's Public Lands Highways Discretionary Program and \$37,500, Other, Park Revenue derived from the operation of state parks.

Request: Increase budget to \$2,537,500 (add \$2,500,000 Federal funds) to make road and

parking improvements at PRT's Hamilton Branch State Park in McCormick County. The project was established in March 2012 for pre-design work which is now complete. The work will include repairing and resurfacing 9.8 miles of roadways and parking areas and paving campsites. The roads are 40 years old and have had only minimal repairs. They have potholes and vehicles must maneuver outside their lanes of traffic to avoid bad areas which presents a safety hazard to pedestrians and bicyclists. Most parking areas and campsites are not currently paved. Energy savings and conservation measures will include milling up and reusing base material augmented with concrete and stone, resulting in savings on hauling and mining base material. The agency reports the total projected cost of this project is \$2,537,500 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 October 2012 and for completion of construction is July 2013.

- (p) Summary 8-2012: JBRC Item 17. Department of Transportation
Project: 9720, Greenville District 3 Office Building Elevator Upgrade
Funding Source: \$301,000 Other, State Highway Funds which is derived from 10.34 cents per gallon of the gasoline user fee which must be turned over to the Department of Transportation for the purposes of that department, of which \$1 million has been allocated for FY 12-13 to permanent improvement project expenditures.
Request: Increase budget to \$301,000 (add \$295,600 Other, State Highway Funds) to upgrade the elevators in DOT's District 3 Office Building in Greenville. The project was established in August 2011 for pre-design work which is now complete. The work will include replacing the elevator controls, installing new drive units, door operators and light fixtures, and modifying the hoistway and machine room. The elevator equipment is 51 years old, original to the building, and does not meet current codes. Repair parts are becoming increasingly difficult to find to keep the elevators operational. Energy savings and conservation measures will include the installation of LED cab lighting fixtures and energy-saving electrical equipment. The agency reports the total projected cost of this project is \$301,000 and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the construction contract is September 2012 and for completion of construction is June 2013.

Increase Budget

- (q) Summary 8-2012: JBRC Item 18. Clemson University
Project: 9892, Highway 93 Pedestrian Safety Improvements
Funding Source: \$4,452,000 which includes \$1,763,200 Other, Institutional Capital Project Funds which are excess debt service funds held by the State Treasurer's office and required to be expended for permanent improvement projects, \$1,688,800 Other, Athletic Private funds which are private gifts received by IPTAY, and \$1,000,000 Other, Federal/State Grant funds which originate from the Federal Highway

Administration and the Pickens County Transportation Committee.

Request: Increase budget to \$4,452,000 (add \$700,000 Other, Institutional Capital Project Funds) to provide sufficient funds to complete Highway 93 pedestrian safety improvements at Clemson. The project was established for pre-design in December 2010 and increased to establish the construction budget in December 2011. Construction bids were received in March 2012 and exceeded the approved budget. Additional funds are needed to include pedestrian connections to adjacent areas, to provide for increased costs to meet federal wage and other requirements, and to provide a contingency to rebid the project. The improvements, which include constructing retaining walls, landings, walkways, and a pedestrian bridge, are needed because of the dangers present for pedestrians walking along Highway 93 due to narrow sidewalks and vehicular lanes. Energy savings and conservation measures will include the installation of energy efficient site lighting. The agency reports the total projected cost of this project is \$4,452,000 and additional annual operating costs of \$20,000 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is December 2012 and for completion of construction is August 2013. (See Attachment 4 for this agenda item for additional annual operating costs.)

Establish Project for Preliminary Studies

- (r) Summary 8-2012: JBRC Item 19. University of South Carolina
Project: 6097, Williams Street Acquisition
Funding Source: \$25,000 Athletic Operating funds which are generated from athletic revenues which consist of ticket sales, SEC Conference Distributions, Gamecock Club contributions, seat premiums, and corporate sponsorships.
Request: Establish project and budget for \$25,000 (Athletic Operating funds) to procure the investigative studies required to adequately evaluate property prior to purchase. USC is considering the purchase of approximately one acre of land adjacent to Carolina Stadium. The property is located between the baseball stadium parking lot and Catawba Street. This acquisition will consolidate ownership of property in the block where Carolina Stadium is located, providing control for future development.
- (s) Summary 8-2012: JBRC Item 20. State Board for Technical and Comprehensive Education
Project: 6054, Central Carolina - Broad Street Land/Building Acquisition
Funding Source: \$25,000 Other, College Capital Project funds which includes revenue from one service area county and a portion of tuition and is designated for capital projects, bond payments, and annual equipment purchases.
Request: Establish project and budget for \$25,000 (Other, College Capital Project Funds) to procure the investigative studies required to adequately evaluate property prior to purchase. Central Carolina Tech is considering the purchase of 8.67 acres of land with a 103,686 square foot facility and 415 parking spaces on Broad Street in Sumter. The property will be used to provide training related to Continental

Tire and to accommodate existing and additional industrial training programs for current and future industries. The college's existing industrial training facility is at capacity with no room to expand.

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

Division of State Budget: University of South Carolina Research University Infrastructure (Regular Session Item #2)

The South Carolina SmartState Review Board has certified the University of South Carolina for \$13,333,334 in general obligation debt to be issued under the South Carolina Research University Infrastructure Act (RUIA) for Innovista Phase II. The Act requires the Review Board to certify to the Joint Bond Review Committee and the Budget and Control Board that at least 50% of the cost of each research infrastructure project is being provided by private, federal, municipal, county or other local government sources.

The USC research infrastructure project consists of the following aspects that were certified by the Review Board:

- 1) The RUIA projects consists of the upfit of 47,024 square feet on the ground and fourth floors of the Horizon Building to provide laboratory space, support areas and offices to house research for the two nuclear science SmartState Centers of Economic Excellence, as well as the Hydrogen Economy SmartState Center of Economic Excellence, the Renewable Fuel Cells SmartState Center of Economic Excellence, and the USC Aerospace Program, in the amount of \$13.4 million of which \$13,333,334 will be funded with general obligation debt to be issued.
- 2) The total cost of the Research Infrastructure Project is approximately \$26,840,386.
- 3) The completed schedule and projected construction period during which the proceeds of the requested general obligation will be executed is from February 2012 to June 2014.
- 4) The RUIA project, for which \$13,333,334 in general obligation debt is requested to be issued, was approved by the SmartState Review Board on February 27, 2012.
- 5) At least 50% of the cost of the USC RUIA Project is matched by private, federal, municipal, county or other local government sources. This match totaling \$13,440,386 conforms to RUIA Cost Share Accounting Policy.
- 6) The provisions of Code Section 11-51-70 have been met, the source and validity of the match have been verified, and the USC RUIA Project complies with the provisions of Title

11, Chapter 51 of the Code, subject to confirmation of financing to be provided by the State Treasurer's Office.

- 7) The Review Board has determined that the USC RUIA Project conforms to the purposes and goals of the Research University Infrastructure Act. The Review Board has approved the USC RUIA Project in accordance with the Act and the Board's implementation guidelines.

The project was approved by the Joint Bond Review Committee at its meeting on June 6, 2012. The Board was asked to approve the following: 1) approve the USC Innovista Phase II Research University Infrastructure Project and 2) approve an increase to USC's permanent improvement project H27-6081, Horizon I Ground and Fourth Floors Upfit, of \$13,295,000 from the general obligation debt to be issued.

Rick Kelly with the University of South Carolina appeared before the Board on this matter. Governor Haley asked Mr. Kelly to advise the Board of where he sees the project going and what can be hoped for with the Innovista project. Mr. Kelly commented that with all due respect to the political environment everyone lives in, Innovista has not been as big a disaster as some have led one to believe. He noted that in 2004-2005 when this legislation was passed, it was done to increase a knowledge-based economy to grow good jobs in South Carolina. He noted that the legislation's purpose was also to increase funded research. He said that since the Board first approved the project in 2005 funding has grown over \$60 million in sustainable research each year. Mr. Kelly said that amounts to \$220 million worth of new funded research that has come into South Carolina as a large result of the efforts of Innovista. He acknowledged that there have been setbacks and changes in course. He stated USC had hoped there would be two private buildings built to qualify for the matching money, but that did not happen. Mr. Kelly commented that he could offer explanations as to why that happened, one being the economy. He stated, however, that the companies that were recruited to be in those buildings are in downtown Columbia and that there are 700 new jobs associated with the insurance cluster that was slated to go into Innovista. He commented that the knowledge-based economy is working and it is growing through IT-ology with the ability to train people so that, for example, the insurance industry is comfortable in bringing 400 new jobs from Aflac in Columbus, Georgia, to South Carolina with the idea of growing more.

In further discussion, Mr. Kelly said the fundamental thing to rest on right now is that

USC has built a base that complies with the statute and will continue to go forward. He said that funded research has not slowed down as USC receives \$60 million or more in research each year. He said that the other thing that one can rest upon is the team of researchers that have been put together who are bringing the kind of money that one wants to come to the State. Mr. Kelly stated that USC has recruited Don Herriott from internationally recognized Roche Laboratories to lead this effort. Mr. Kelly said given the base researchers and the leadership at USC, they are poised and ready to go and do great things. Mr. Kelly again acknowledged that Innovista has changed, but that it has changed for the better and it is not as bad as people would write it to be. He noted that there were vacant spaces in the buildings and that President Pastides could have filled them with academic programs, but they would never have generated the kind of research that has been accomplished or the kind of success in helping to recruit companies coming to South Carolina.

Senator Leatherman noted that Mr. Kelly mentioned Dr. (Kenneth) Reifsnider and asked if he was one of the leading researchers in carbon fiber material like that which Boeing is using in its 787 plant. Mr. Kelly said that is correct. Senator Leatherman asked if conversations were ongoing with Boeing's carbon fiber research facility in St. Louis to which Mr. Kelly said that is correct. He further asked Mr. Kelly whether efforts to get Dr. Reifsnider connected with Boeing is the kind of thing that is being discussed, to which Mr. Kelly agreed. Mr. Kelly noted that USC is not the only game that Boeing can play because there are California based research institutions where Boeing can go. Mr. Kelly noted that Dr. Reifsnider has a relationship with Boeing's St. Louis group and he is working hard to get that for the State.

Mr. Eckstrom commented that the disappointment has been how the project was funded and the lack of private sector participation. He said that is the area where one can point and say that this was not assembled the way it was meant to be. Mr. Kelly commented that in retrospect if the legislation were rewritten, different things would be written. He also stated that in retrospect, if USC had to do things different they would not have talked about buildings and Innovista because Innovista was mistakenly defined as being buildings. He further stated that when the private buildings were not built, Innovista was then called a failure. He said Innovista was never about the buildings, but was about recruiting the researchers to come to South Carolina and do brain imaging and carbon fiber research. He noted that USC is currently

proudly working with the military to develop a fuel cell to fly drones instead of a fuel based source. Mr. Kelly said the disappointment is that the private sector did not do as much. However, he noted that there are 11 fuel cell companies in Columbia now that were not here in 2005. He said the president of the company that spoke to Mr. Eckstrom said they are here in part because of the research that is going on at USC. Mr. Eckstrom commented that but for the anticipated success of the project, the project could be characterized as something that did not work. He said the catastrophe would be to run into the road blocks in putting this together and then only hoping that researchers could be brought in. Mr. Eckstrom said the focus should remain on the original intent being achieved, although it has not gone as anyone planned in the beginning. Mr. Kelly added that approval of the project will allow USC to bring six new major researchers to the campus.

Governor Haley asked Mr. Kelly where the money is going. Mr. Kelly said there are three floors in the Horizon Building that the money will be used to upfit in order to bring in nuclear researchers.

Senator Leatherman commented that there have been some stumbles along the way with the project. He noted that USC is partly finished with the vision and to not go forward and utilize the project would be one of the greatest travesties the State could ever commit. He said that it sounds like USC is making mid-course corrections and the Board should give its approval and let them get to the finish line. Mr. Eckstrom added that Dr. Pastides should be recognized for his role in keeping the project together.

Governor Haley commented that this feels like throwing good money after bad. She said, however, that not going forward will make it worse. She further commented that she hopes the Board does not have another vote on Innovista. Mr. Eckstrom asked whether other requests for funding are anticipated. Mr. Kelly said this request will finish out the project.

Upon a motion by Senator Leatherman, seconded by Mr. White, the Board approved the USC Innovista Phase II Research University Infrastructure Project and approved an increase to USC's permanent improvement project H27-6081, Horizon I Ground and Fourth Floors Upfit, of \$13,295,000 from the general obligation debt to be issued.

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

Division of General Services: State Board for Technical and Comprehensive Education Lease at 111 Executive Center Drive in Columbia (Regular Item #3)

The South Carolina State Board for Technical and Comprehensive Education (Board) requested approval to lease from GPT Properties Trust, a Maryland real estate investment trust (Landlord), 23,831 square feet, comprising a portion of the 1st floor at its current location at the Enoree Building in Synergy Business Park located at 111 Executive Center Drive in Columbia.

Presently, the Board leases 28,697 square feet at the Enoree Building at an annual cost of \$387,409.50 (\$13.50 per square foot) under a lease expiring June 30, 2012. Additionally, the lease is subject to annual increases in operating expenses, which amount was approximately \$10,617.50 last year. The total annual cost of the Board's current lease, including operating expense escalations, is \$398,027.00 (\$13.87 per square foot). Under the new lease, the space will be reduced by 4,866 square feet, which is being realized due to the Board's efforts to consolidate space.

The new lease was negotiated after vacant state space options were considered, state agencies were contacted to verify no adequate state space was available, and a commercial lease solicitation was issued. The proposed lease is the most cost efficient of the ten commercial lease proposals received. The lease term will be ten years commencing July 1, 2012 and ending June 30, 2022, with one optional renewal term of five years. The optional renewal term will be subject to staff review and approval by the Division of General Services. Rent will be \$19,362.69 per month or \$232,352.28 per year (\$9.75 per square foot rounded) for the first year of the lease; thereafter, rent increases two percent (2%) a year through the remainder of the term to \$11.65 per square foot (rounded) in the last year of the term. Rent for the first year of the optional five year renewal term will be \$11.89 per square foot (rounded) and will continue to increase two percent (2%) a year to \$12.86 per square foot rounded in the last year of the renewal term. All operating costs are included with rent and the Board is not responsible for any increases of such expenses.

Landlord will provide adequate surface parking adjacent to the building for all employees and visitors at no cost. As a leasing incentive Landlord will provide a tenant improvement allowance of \$48,000. The proposed lease will save the Board an estimated \$1,436,082 over the

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initial ten year term compared with its current lease, assuming rent and operating expense escalations for a lease extension would remain the same as the last year of the current lease with no increases. The proposed lease further avoids moving, network wiring and other costs associated with relocating to a new location.

The rent over the initial term and optional renewal term of the lease is as follows:

Initial Term Rates

Year	Period	Rate/SF (Rounded)	Annual Rent
1	7-1-12 to 6-30-13	\$ 9.75	\$ 232,352.28
2	7-1-13 to 6-30-14	\$ 9.95	\$ 236,999.28
3	7-1-14 to 6-30-15	\$ 10.14	\$ 241,739.28
4	7-1-15 to 6-30-16	\$ 10.35	\$ 246,574.08
5	7-1-16 to 6-30-17	\$ 10.55	\$ 251,505.60
6	7-1-17 to 6-30-18	\$ 10.76	\$ 256,535.64
7	7-1-18 to 6-30-19	\$ 10.98	\$ 261,666.36
8	7-1-19 to 6-30-20	\$ 11.20	\$ 266,899.68
9	7-1-20 to 6-30-21	\$ 11.42	\$ 272,237.64
10	7-1-21 to 6-30-22	\$ 11.65	\$ 277,682.40
	Total for 10 years		\$ 2,544,192.24
	Average for 10 years	\$ 10.68	\$ 254,419.22

Renewal Term Rates

Year	Period	Rate/SF (Rounded)	Annual Rent
11	7-1-22 to 6-30-23	\$ 11.89	\$ 283,236.12
12	7-1-23 to 6-30-24	\$ 12.12	\$ 288,900.84
13	7-1-24 to 6-30-25	\$ 12.37	\$ 294,678.84
14	7-1-25 to 6-30-26	\$ 12.61	\$ 300,572.40
15	7-1-26 to 6-30-27	\$ 12.86	\$ 306,583.80
	Total for 15 years		\$ 4,018,164.24
	Average for 15 years	\$ 11.24	\$ 267,877.62

Market reports indicate that the average asking lease rate in the St. Andrews area of Columbia for similar office buildings is \$14.28 per square foot annually. Comparables of similar state agency office space leased in the St. Andrews area of Columbia are as follows:

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Lease Date	Agency/Location	Rate/SF (<i>All comparables are subject to operating cost escalations.</i>)
9/08	Public Service Commission, 101 Executive Center Drive	\$14.69
7/07	State Accident Fund, 800 Dutch Square Blvd.	\$13.10
11/09	Housing Authority, 300 Outlet Pointe Boulevard	\$11.19 (<i>Does not include electricity</i>)

The Board has adequate funds for the lease according to a Budget Approval Form dated May 24, 2012, which also includes a multi-year plan. Lease payments will be made from state appropriations. The space allocation of the new lease is 356 square feet for each of the 67 employees to be housed at the Enoree Building. This includes all office space for employees as well as conference rooms, reception areas, copy/fax areas, storage/file rooms, work areas, break rooms/kitchenette areas, computer server room and common areas.

No option to purchase the property is included in the lease. The Enoree Building was constructed in 1982. An environmental assessment dated April 21, 2006 recommends no further assessment is necessary. The lease was approved by Mandy M. Kibler, Vice President for Finance for the South Carolina State Board for Technical and Comprehensive Education and by David M. Lepore, Senior Vice President for GPT Properties Trust. The lease was approved by the Joint Bond Review Committee at its meeting on June 6, 2012

Mr. Eckstrom commented that he wanted to commend Ms. Adams and the Board for moving forward as they have with the real estate management project that has just recently gotten underway. He noted that it is something that has been talked about for years and years and it is now being done. He said that it is bit of a shame that this project was not completed before this lease had to be acted upon, but the timing is such that this lease slipped in before the Board will get a report on that project. Mr. Eckstrom further stated that the lease is a good lease on a stand-alone basis and that the terms are good. He commented that the question is, once the project is finished and the Board acts on the project, will the Board be able to recognize there is other space and that the State did not have to enter into this lease. He stated the Board does not have that information now and that staff has done a good job negotiating this new lease. Ms.

Adams commented that the contract the Board has with the company will be tremendously helpful in this area.

Upon a motion by Mr. Eckstrom, seconded by Senator Leatherman, the Board approved the proposed ten year lease and optional renewal term of five years subject to the review and approval by the Division of General Services for the State Board for Technical and Comprehensive Education at 111 Executive Center Drive in Columbia.

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

Future Meeting

Upon a motion by Mr. Eckstrom, seconded by Senator Leatherman, the Board agreed to meet at 10:00 a.m. on Wednesday, August 8, 2012, in Room 252, Edgar A. Brown Building.

Executive Session

Mr. Loftis moved for the Board to convene in Executive Session pursuant to Section 9-16-80 of the Code of Laws to deliberate about investments and financial matters the disclosure of which may adversely impact trust fund investments and receive legal advice. The motion was seconded by Mr. White.

Senator Leatherman commented that he is not sure what will be discussed in executive session, but if the Board gets into the inner workings of the Investment Commission, the Board owes it to the Commission to allow it to come before the Board and present their side of situation.

All of the Board members with exception of Mr. Eckstrom voted to convene in executive session.

Prior to going into executive session Governor Haley announced: “The Board will now go into executive session to discuss matters expressed in the Treasurer’s motion. All those except Board members and designated staff will please leave the room. Please remove all personal items.”

After coming out of executive session, Ms. Adams reported that the Board discussed issues concerning investments and financial matters of which the disclosure may have adversely

impacted trust fund investments.

Mr. Loftis moved to convene a meeting of the Board at the call of the Chair and requested the presence of the Retirement Investment Commission to discuss financial and administrative matters related to the Trust Fund. The motion was seconded by Mr. White. All of the Board members voted for the motion.

Adjournment

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 8:45 a.m., on Tuesday, June 26, 2012.]