

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

**June 30, 2010 -- 9:30 A. M.**

The Budget and Control Board (Board) met at 9:30 a.m. on Wednesday, June 30, 2010, in the Governor's conference room in the Wade Hampton Office Building, with the following members in attendance:

Governor Mark Sanford, Chairman;  
Mr. Converse A. Chellis, III, State Treasurer;  
Mr. Richard Eckstrom, Comptroller General;  
Senator Hugh K. Leatherman, Sr., Chairman, Senate Finance Committee; and  
Representative Daniel T. Cooper, Chairman, Ways and Means Committee.

Also attending were Budget and Control Board Executive Director Frank Fusco; Chief of Staff William E. Gunn and Division Directors Peggy Boykin and Rich Roberson; General Counsel Edwin E. Evans; Governor's Deputy Chief Counsel Brandon Gaskins; Deputy State Treasurer Frank Rainwater; Comptroller General's Chief of Staff James M. Holly; Senate Finance Committee Budget Director Mike Shealy; Ways and Means Committee Chief of Staff Beverly Smith; Board Secretary Delbert H. Singleton, Jr., and other Budget and Control Board staff.

[Secretary's Note: The Board met immediately following a meeting of the Educational Facilities Authority for Private, Nonprofit Institutions of Higher Learning, the members of which are the Budget and Control Board members, *ex officio*.]

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

Upon a motion by Senator Leatherman, seconded by Mr. Cooper, the Board adopted the agenda after amending the agenda to add an item for a briefing from the Board's Executive Director concerning the affect of the budget vetoes on the Board's budget.

### ***Minutes of Previous Meeting***

Upon a motion by Senator Leatherman, seconded by Mr. Chellis, the Board approved the minutes of the February 23, 2010, Budget and Control Board meeting; acting as the Tobacco Settlement Revenue Management Authority, approved the minutes of the February 23, 2010 Authority meeting, acting as the Education Assistance Authority, approved the minutes of the February 23, 2010, Authority meeting; and, acting as the Educational Facilities Authority For

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Private, Nonprofit Institutions of Higher Learning, approved the minutes of the February 23, 2010, Authority meeting.

***Blue Agenda***

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

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

The Board approved the following notification of the assignment of bond counsel for conduit issues (for ratification of issuer's counsel only) as requested by the State Treasurer's Office:

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

Description of Issue	Agency/Institution (Borrower)	Borrower's Counsel	Issuer's Counsel
\$2,000,000 SC JEDA	Mast General Store, Inc.	Nexsen Pruet	Parker Poe
\$5,000,000 SC JEDA	Charleston Day School	Haynsworth Sinkler Boyd	Howell & Linkous
\$4,500,000 SC JEDA	SC Research Authority	Pope Zeigler	McNair Law Firm
\$15,000,000 EFA	Spartanburg Methodist College	Haynsworth Sinkler Boyd	Parker Poe
\$3,600,000 EFA	Presbyterian College	Haynsworth Sinkler Boyd	McNair Law Firm
\$30,000,000 SC JEDA	CareAlliance d/b/a Roper St. Francis Alliance	Haynsworth Sinkler Boyd	Parker Poe

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

***Attorney General's Office: Authorize the Attorney General's Office to Expend Funds for the Yucca Mountain Litigation from the Escrow Fund Established by Proviso 90.13 of Act 310 of 2008 (Blue Agenda Item #2)***

The Attorney General is engaged in litigation relating to the Yucca Mountain dispute.

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The litigation is being prosecuted in both administrative and judicial forums. Additional related litigation may be prosecuted as well. Pursuant to Proviso 90.15 of the 2010-2011 Appropriations Act, certain funds are appropriated from the escrow account created pursuant to Proviso 90.13, Act 310 of 2008 to fund the related litigation. The funds are to be expended by the Attorney General only upon approval of the Board.

The Board authorized the Attorney General, pursuant to Proviso 90.15 of the 2010-2011 Appropriation Act, to expend funds up to \$665,000 for the Yucca Mountain litigation from the escrow account created by Proviso 90.15 of Act 310 of 2008 not to exceed the authorized and available funds and provide a quarterly report of the legal expenditures to the Board's Energy Office in order for the Energy Office to monitor available funds.

Mr. Eckstrom asked whether the State has considered joining with other local governments to try and achieve some economies of scale in the lawsuit. He said that there are local governments that are pursuing this matter legally. Mr. Evans commented that he did not know whether anyone was present from the Attorney General's Office to support their request and that he could not speak to the technical decisions they made in the litigation. Mr. Fusco stated that the matter could be brought to the attention of the Attorney General's Office and have them report back to the Board. Mr. Evans said that they have already informed Board staff that they are currently in litigation and have engaged outside legal counsel. He stated that this item is to authorize expenditure from this particular fund to support the litigation. Senator Leatherman said he agreed with Mr. Eckstrom and the Board should urge the Attorney General's Office to give them a report on what they are doing. The Board members asked Mr. Fusco to contact the Attorney General's Office to advise the Board what it is doing with regard to the litigation.

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

***Division of General Services: Easements (Blue Agenda Item #3)***

The Board approved the following easements in accordance with SC Code of Laws and subject to receipt of all appropriate permits as requested by General Services:

- (a) County Location: Jasper  
From: Budget and Control Board

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To: Jasper County Emergency Services  
Consideration: \$1  
Description/Purpose: To grant a 0.86 acre easement for the purpose of constructing an access road and installing guy wires for a communications tower to be erected on Jasper County's property adjacent to the Jasper County Fire Tower Site. As consideration, the Forestry Commission will be given antenna space on the tower, receive space for its communications equipment in the equipment shelter located near the tower and have use of the access road. As additional consideration, the County will be responsible for maintaining the access road.

(b) County Location: Greenville  
From: Budget and Control Board  
To: Commissioners of Public Works of the City of Greenville  
Consideration: \$1  
Description/Purpose: To grant a .107 acre easement for the installation, operation and maintenance of an 8" water line along a section of the northern boundary of Paris Mountain State Park.

(c) County Location: Lexington  
From: Budget and Control Board  
To: BellSouth Telecommunications d/b/a AT&T South Carolina  
Consideration: \$512  
Description/Purpose: To grant a 0.006 acre easement for the installation, operation and maintenance of telecommunication equipment on property of the Styx Fish Hatchery adjacent to existing AT&T equipment.

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

(d) County Location: Richland  
From: Department of Mental Health  
To: City of Columbia  
Consideration: \$1  
Description/Purpose: To approve the transfer of title to water and sewer lines together with an easement for the purpose of ingress, egress, operation and maintenance of said lines serving the new Lexington/Richland Alcohol and Drug Abuse Council building.

(e) County Location: Horry  
From: Coastal Carolina University

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To: Grand Strand Water and Sewer Authority  
Consideration: \$5  
Description/Purpose: To approve the grant of a 0.077 acre easement for the purpose of locating, constructing, improving, and maintaining a sewage dump station on property of Coastal Carolina University.

(f) County Location: Marion  
From: Department of Natural Resources  
To: South Carolina Electric and Gas Company  
Consideration: \$6,255  
Description/Purpose: To approve the grant of a 2.78 acre easement for the relocation of a gas line due to the widening of Highway 378 by SCDOT.

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

***Division of General Services: Petition to Request Annexation of Denmark Technical College to the City of Denmark (Blue Agenda Item #4)***

Denmark Technical College requested annexation of its campus into the City of Denmark. The campus is located at 1126 Solomon Blatt Boulevard and consists of approximately 45 acres. Benefits to be gained from annexation will be reduced water and sewer rates for the college. A public hearing was conducted by the City of Denmark on March 1, 2010, and there was no public opposition to the annexation. Additionally, the district's legislative representatives were contacted and have no opposition to the annexation.

The Board approved the petition to request annexation of Denmark Technical College to the City of Denmark as requested by the General Services Division.

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

***Division of General Services: Real Property Transactions (Blue Agenda Item #5)***

The Board approved the following property conveyances as recommended by General Services:

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- (a) **Agency:** **Department of Natural Resources**  
**Acreage:** 1.17± acres  
**Location:** On Victorious Valley Drive  
**County:** Pickens  
**Purpose:** To transfer by deed property located in the Jocassee Gorges adversely impacted by the encroachment of adjoining landowners (Roby J. McGill, Susan H. McGill and Victorious Valley Baptist Church). The appraised value of the property is \$6,800.  
**Price/Transferred To:** \$53,191.48/Victorious Valley Baptist Church  
**Disposition of Proceeds:** Settlement of the litigation for the unlawful encroachment after negotiation by the Department of Natural Resources is \$53,191.48. The funds are to be retained by the Department of Natural Resources for deposit into the Jocassee Gorges Trust Fund as approved by the United States Department of the Interior, Fish and Wildlife Service.
- (b) **Agency:** **Budget and Control Board (Department of Motor Vehicles)**  
**Acreage:** .25± acre  
**Location:** Intersection of Butler and Church Streets in Johnston  
**County:** Edgefield  
**Purpose:** To dispose of surplus real property.  
**Price/Transferred To:** Not less than appraised value/To be determined  
**Disposition of Proceeds:** To be divided between Budget and Control Board and Department of Motor Vehicles pursuant to Proviso 80A.43.
- (c) **Agency:** **Budget and Control Board (Adjutant General)**  
**Acreage:** 2.96± acres  
**Location:** 301 North Hickory Street in Summerville  
**County:** Dorchester  
**Purpose:** To transfer a surplus National Guard Armory to a political Subdivision pursuant to Joint Resolution R164, H4485.  
**Price/Transferred To:** N/A / Town of Summerville

Mr. Eckstrom asked whether an armory is being built in Summerville. Mr. Roberson said he believes that is the case and that the Town of Summerville provided either this property or other property for that armory. He said that this has been contemplated for a number of years. Mr. Chellis commented that this is two separate pieces of property, one where the armory was and one is where the armory is going. Gary Grant with the Adjutant General's Office said that a new armory is not being built in Summerville. He stated that they have a lease facility in Jedburg. He said the Town of Summerville gave them 18 acres in 1997 and since they have the

lease facility they are going to give the Town of Summerville the old armory. He said that was the original plan in 1997 when they were given the 18 acres. Mr. Grant further stated that they were able to lease the facility in Jedburg through the federal system and that the armory is now surplus to them. He said that doing this completes their obligation they made to the Town of Summerville in 1997.

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

***Division of Procurement Services: Procurement Audits and Certifications (Blue Item #6)***

The Board received as information, in accordance with Section 11-35-1230 of the South Carolina Consolidated Procurement Code, that the Division of Procurement Services has reviewed the procurement system of the South Carolina Commission for the Blind. Because of extensive audit findings, the chief procurement officers have determined under S. C. Reg. 19-445.2022 that the Commission's audit results warrant a temporary suspension of authority from \$50,000 to \$25,000. This suspension of authority shall be effective for one year at which time another procurement audit shall be performed.

Mr. Eckstrom asked why there seemed to be such a disparity in the approval for consulting services for MUSC. He said that MUSC can procure \$125,000 in consultant services without going through General Services, but that small Lander College (sic) is permitted to do the same thing at a much higher level. He said looking at much of the other higher educational institutions they are also permitted to acquire those services at a much higher level. Mr. Eckstrom asked what is it about MUSC that keeps their approval level so low. Voight Shealy, Materials Management Officer, explained that the requested amount for consultant services for MUSC has been submitted to the Board for approval, as well as Lander University. He said that the amount was not adjusted. Mr. Fusco asked had MUSC requested more delegation would they have been considered for more delegation. Mr. Shealy said they potentially would have been considered for more delegation. Mr. Eckstrom further asked, absent a specific request, whether the certification levels were increased sometimes without a specific request. Mr. Shealy responded that typically the certification levels are negotiated with the agencies depending on the audit results. He stated that certification increases are not imposed on the agencies.

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As recommended by Procurement Services and in accord with Section 11-35-1210, The Board granted procurement certification to the following agencies within the parameters described in the audit reports for the following limits (\*Total potential purchase commitment whether single-or multi- year contracts are used):

**Department of Corrections** (for a period of three years): supplies and services, \$1,000,000\* per commitment; food products, \$1,500,000\* per commitment; information technology, \$100,000\* per commitment; consultant services, \$100,000\* per commitment; construction contract, \$100,000\* per commitment; construction contract change order, \$100,000 per commitment; architect/engineer contract amendment, \$15,000 per amendment.

**Department of Education** (for a period of three years): supplies and services, \$100,000\* per commitment; school bus supplies and maintenance, \$250,000\* per commitment; consultant, \$100,000\* per commitment; information technology, \$100,000\* per commitment.

**Lander University** (for a period of three years): supplies and services, \$200,000\* per commitment; consultant services, \$200,000\* per commitment; information technology, \$150,000\* per commitment; construction contract award, \$150,000 per commitment; construction contract change order, \$50,000 per change order; architect/engineer contract amendment, \$25,000 per amendment.

**Medical University of South Carolina** (for a period of three years): supplies and services, \$500,000\* per commitment; consultant services, \$125,000\* per commitment; information technology, \$500,000\* per commitment; construction contract award, \$500,000 per commitment; construction contract change order, \$250,000 per change order; architect/engineer contract amendment, \$25,000 per amendment.

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

***Procurement Services Division: Request for Re-Approval of Procurement Policy for Midlands Technical College Enterprise Campus Authority (Blue Agenda Item #7)***

In 2004, the General Assembly enacted Section 59-53-1784(B) of the South Carolina Code of Laws, which provides as follows:

(B) For all matters associated with the Enterprise Campus, the authority is exempt from the South Carolina Consolidated Procurement Code, however, the authority shall adopt a procurement policy requiring competitive solicitations, and the policy must be filed with

and approved by the State Budget and Control Board. The policy must include provisions for audit and recertification.

In 2005, the Board approved a procurement policy for the Midlands Technical College Enterprise Campus Authority pursuant to this statute. As provided by the policy, the Board's approval expired after five years.

Midlands Technical College Enterprise Campus Authority requests that the Budget and Control Board re-approve the Authority's procurement policy. The policy has been revised to include some of the changes made to the Consolidated Procurement Code and Regulations in the intervening five years. The policy continues to include provisions for audit and recertification as required by Section 59-53-1784(B).

A copy of the proposed procurement policy was attached as a part of this item.

The Board approved the Midlands Technical College Enterprise Campus Authority's procurement policy as requested by the Division of Procurement Services.

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

***Executive Director: Revenue Bonds (Blue Agenda Item #8)***

The Board approved the following proposals to issue revenue bonds:

- a. Issuing Authority: Anderson County  
Amount of Issue: \$7,500,000 Special Source Revenue Bonds  
Allocation Needed: -0-  
Name of Project: First Quality Tissue SE, LLC  
Employment Impact: 400 employees  
Project Description: to acquire land to establish a manufacturing facility in Anderson County, which will be used primarily to construct a water line, a sewer outfall line and a domestic sewer lift station upon the land; and the Anderson County Special Source Revenue bonds will be used to fund (i) a portion of the cost to acquire the land upon which the project will be constructed; (ii) a portion of the cost to construct a water line to the boundary of the project site, a sewer outfall line from the project; and a domestic sewer lift station and force main to carry domestic waste water from the project to the nearest sanitary sewer line; (iii) all or a portion of the capitalized interest cost during the period

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when the fee in lieu of tax revenues from the project are insufficient to cover debt service on the bonds; (iv) to establish such reserves as may be necessary in connection with the bonds; and (iv) cost of issuance associated with the bonds.

Bond Counsel: April C. Lucas, Nexsen Pruet, LLC  
(Exhibit 8)

- b. Issuing Authority: Florence County  
Amount of Issue: Not Exceeding \$215,000,000 Hospital Revenue Bonds (\$69,400,000 refunding involved)  
Allocation Needed: -0-  
Name of Project: McLeod Regional Medical Center  
Employment Impact: n/a  
Project Description: acquire, construct and renovate hospital facilities and refund outstanding Series 1998A and 2004B Bonds  
Bond Counsel: Benjamin T. Zeigler, Haynsworth Sinkler Boyd, P. A.  
(Exhibit 9)

Mr. Chellis asked for additional information on blue agenda item 8(b) concerning a proposed revenue bond issuance for McLeod Regional Medical Center. Senator Leatherman stated the bond issue will allow for refunding of approximately \$70 million in refunding to achieve a much better interest rate than McLeod currently has. He said that \$100 million to \$170 million will be used to renovate the old hospital that was built in 1979. He said the hospital needs to be updated to comply with the current DHEC requirements. Senator Leatherman stated that he is told that this will carry the hospital for another 30 years. He said that he knows that this is a large amount of money, but it is tremendous for the hospital. Mr. Chellis asked whether there was any economic benefit involved. Senator Leatherman said that there will be economic benefit and that the rooms will be improved which will allow them to get more patients. Mr. Chellis asked whether this will be a positive affect for the taxpayers. Senator Leatherman responded that it would be positive.

Mr. Eckstrom asked whether DHEC has to sign off on a transaction like this. Senator Leatherman said that the hospital has to comply with DHEC's requirements and that is why the hospital is being upgraded. Mr. Eckstrom asked whether a certificate of need will be required. Senator Leatherman said a new certificate of need is not required since the hospital is not adding any new beds. Mr. Evans told Mr. Eckstrom that the staff review process is to obtain all of the

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necessary certifications from DHEC which have been obtained for this project.

Mr. Chellis asked what the interest rate would be. Ben Zeigler, bond counsel for the project, said that he did not know what the interest rate would be because the bonds had not yet been priced. He said that pricing the bonds has been structured so that there are two separate bond issues that are going to be refunded, a Series 1998 issue with a principal amount of about \$30 million and a Series 2004B issue which is an auction rate bond. He said it will be determined at the time of pricing how much of the bonds to refund and the bonds that result in significant savings to the hospital will be refunded.

Senator Leatherman asked whether \$215 million would be the maximum amount of bonds issued. Mr. Zeigler said that would be the maximum. He said that the issue will be more in the range of \$170 million and that if all the bonds were refunded the issue would be about \$215 million. He said that they do not believe that it will be economically advantageous to do all of those bonds. Mr. Eckstrom asked whether they would be taking out all of the auction rate bonds to which Mr. Zeigler responded that they are. Mr. Chellis asked whether this issue would refinance most all of the debt. Mr. Zeigler said there will be one outstanding issue in addition to new bonds.

- c. Issuing Authority: Jobs-Economic Development Authority  
Amount of Issue: Not Exceeding \$5,000,000 Revenue Bonds  
Allocation Needed: -0-  
Name of Project: Charleston Day School  
Employment Impact: creation or maintenance of 43 jobs  
Project Description: providing financing to defray the costs of the expansion, renovation and equipping of the campus of Charleston Day School, Inc., located at 15 Archdale Street in Charleston  
*Note: private sale*  
Bond Counsel: Jeremy L. Cook, Haynsworth Sinkler Boyd, P. A.  
(Exhibit 10)
  
- d. Issuing Authority: Jobs-Economic Development Authority  
Amount of Issue: Not Exceeding \$30,000,000 Refunding Revenue Bonds (\$30,000,000 refunding involved)  
Allocation Needed: -0-  
Name of Project: Roper St. Francis Healthcare  
Employment Impact: maintenance of 3,900 jobs  
Project Description: refunding all or a portion of the Charleston County Variable Rate Demand Revenue Bonds, Series 1999B

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*Note:* *private sale*  
Bond Counsel: Jeremy L. Cook, Haynsworth Sinkler Boyd, P. A.  
(Exhibit 11)

- e. Issuing Authority: Jobs-Economic Development Authority  
Amount of Issue: Not Exceeding \$4,500,000 Recovery Zone Facility Revenue Bonds  
Allocation Needed: -0-  
Name of Project: South Carolina Research Authority  
Employment Impact: expected to create approximately 130 jobs of at least median wages during construction and create and retain approximately 50 sustainable knowledge economy jobs at above median wages  
Project Description: constructing, furnishing, and equipping a 16,413 square foot facility at the Clemson Research Park in Anderson County

*Note:* *negotiated private sale*  
Bond Counsel: Margaret C. McGee, Pope Zeigler, LLC  
(Exhibit 12)

- f. Issuing Authority: Jobs-Economic Development Authority  
Amount of Issue: \$5,000,000 Economic Development Revenue Bonds  
Allocation Needed: \$5,000,000  
Name of Project: Supermetal Holdings USA Inc.  
Employment Impact: 50 – 100 employees  
Project Description: to acquire, construct and equip a manufacturing facility in York county which will be used primarily to supply, fabricate and erect structural steel for all types of projects; and the South Carolina Economic Development Authority Economic Development Bonds will be used to i) defray a portion of the costs of the project, (ii) pay capitalized interest, if any on the bonds; (iii) fund the debt service reserve requirement, if any with respect to the bonds; and (iv) pay certain costs of issuance with respect to the bonds

*Note:* *negotiated private sale*  
Bond Counsel: April C. Lucas, Nexsen Pruet, LLC  
(Exhibit 13)

***Executive Director: Economic Development (2010 Ceiling Allocations) (Blue Item #9)***

The initial balance of the 2010 state ceiling allocation is \$410,511,780. In accord with Code Section 1-11-520, \$164,204,712 (40% of the total) was designated as the state pool and \$246,307,068 (60% of the total) was designated as the local pool. There is presently a state

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ceiling balance of \$410,511,780 remaining for 2010. Allocation requests for 2010 totaling \$11,000,000 have been received thus far.

Relating to requests for calendar year 2010 ceiling allocations, the Board was asked to authorize shifts as necessary between the state pool and the local pool for the remainder of the calendar year.

The recommendation from the Department of Commerce for allocations for this cycle totaled \$5,000,000. The Department of Commerce made the following recommendation for allocation from the local pool:

JEDA Supermetal Holdings USA, Inc. (York County) \$5,000,000.

Board approval of the request will leave an unexpended state ceiling balance of \$405,511,780 (state pool - \$164,204,712; local pool - \$241,307,068) to be allocated later in the calendar year.

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

JEDA Supermetal Holdings USA, Inc. (York County), \$5,000,000.

The Board also authorized shifts as necessary between the state pool and the local pool for the remainder of the calendar year

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

***Office of Comptroller General: Commencement of the CAFR Statewide Audit Process (R#1)***

The Board received information from Mr. Eckstrom on the commencement of the CAFR Strategic Audit Process.

Mr. Eckstorm provided an update on the CAFR (Comprehensive Annual Financial Report) statewide audit process. He advised the Board that his office will begin work on the report in the next several weeks and that the State's external auditors are coming in over the summer. He said that he has encouraged the auditors to communicate with all of the Board members and that the Board members will receive a letter from the external auditors. He said the letter will ask if Board members have any areas of concern in State financial matters that they

should direct their attention toward. He said that it is a good safeguard and underscores the responsibility that they all have with regard to the State's finances. Mr. Chellis said that it is part of the auditors communication with management to make sure that management is on top of things. Mr. Eckstrom said that historically the auditors communicate at the end of the audit process, but this time they are doing so at the beginning of the process.

Senator Leatherman asked who the external auditors are. Mr. Eckstrom said it is a firm the State has dealt with for the last seven years called Clifton Gunderson. He also noted that the State Auditor's Office joins with the external auditors to perform the audit jointly and the audit opinion is issued under the signature of both the audit firm and the State Auditor's Office. Senator Leatherman further asked what the cost of the audit would be. Rich Gilbert, Deputy State Auditor, said that the current year contract is \$335,000 and that they are allowed to bill State agencies to reallocate that cost. Mr. Eckstrom said that certain agencies, like the higher education institutions and the business-like entities like the Ports Authority and Santee Cooper, are excluded because they are stand alone agencies and they have their own audits performed. He noted that while those entities' audit information is included in the CAFR, they do not duplicate those audit proceedings. Senator Leatherman asked whether \$335,000 was the maximum for the contract. Mr. Gilbert responded that is the current year price and that the price may increase to between \$350,000 and \$360,000 by the end of the five years. Mr. Eckstorm noted that from his experience the State is not overpaying for these services. Mr. Chellis acknowledged the pricing is extremely good for the agency size.

The Board received as information a report from the Comptroller General regarding the commencement of the CAFR Statewide Audit Process. No action was required on this matter.

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

***Executive Director: Reallocation of Unused Recovery Zone Bond Volume Cap Allocations (Regular Session Item #2)***

Section 15 of H4478, R351 of 2010 created the South Carolina Volume Cap Allocation Act (the "Act") which designated the Board as the entity responsible for managing the reallocation of certain unused ARRA Bond volume cap allocations. As defined in the Act,

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ARRA Bonds include Recovery Zone Facility Bonds, Recovery Zone Economic Development Bonds, and Qualified Energy Conservation Bonds as described in the American Recovery and Reinvestment Act (ARRA) of 2009.

Under ARRA, specific dollar amounts were allocated to counties under which they could receive special bond financing from the federal government. Using their existing bond authority and contingent upon meeting ARRA requirements, counties and certain municipalities would issue taxable bonds and receive a subsidy from the federal government on the interest portion of the debt payment. The subsidy was designed to make the debt less expensive than normal tax-exempt financing. In addition, ARRA created a new class of tax-exempt bonds, Recovery Zone Facility Bonds, and required that certain records be maintained.

Furthermore, with respect to Qualified Energy Conservation Bonds, a certain portion of the State's allocation was not automatically sub allocated to the counties but resides at the State level. The Act provides a mechanism for the State to further distribute this particular unallocated volume cap allocation.

The Act found that due to the relatively small amounts of allocations, limits on legal bond capacity, and other reasons, not all counties and certain municipalities would be able to use their allocation. Other counties and certain municipalities, however, may have projects that exceeded their allocation and could benefit from a reallocation permitted under ARRA. All Recovery Zone Facility Bonds and Recovery Zone Economic Development Bonds using this provision must be issued by December 31, 2010.

In order to meet the December 31, 2010, deadline and allow sufficient time for reallocation, the Board was requested to direct staff to implement the provisions of Section 15 of the Act by:

- 1) Establishing an Advisory Committee to make recommendations to the Board for any reallocation of unused ARRA Bond volume cap allocations. The Advisory Committee is to be comprised of the Executive Director of the Budget and Control Board or his designee, the Secretary of Commerce or his designee, the Executive Director of the County Association or his designee, the Executive Director of the South Carolina Jobs-Economic Development Authority or his designee, the Director of the Office of Local Government of the Budget and Control Board, and the Director of the Energy Office of the Budget and Control Board or his designee;

- 2) Authorizing the Executive Director to communicate with local governments notifying them of their respective ARRA Bond allocation and requiring proof of intent by August 1 to use their allocation or deem their allocation waived as provided for under the Act and to make any other decisions necessary of the purpose of the Act,
- 3) Authorizing the Executive Director to create and provide a form to eligible local governments and bond issuers to apply for a portion of the unallocated or aggregated ARRA Bond allocations, and;
- 4) Providing a final recommendation on reallocation to the Board by August 10, 2010.

Mr. Evans advised the Board that this responsibility was delegated to the Board as a result of the recent Economic Development Act that passed. He said the Act provides a process or mechanism whereby the State can take advantage of the allocation of capacity from the ARRA legislation. He said the allocation does not provide State money. He said that the State will have to move very quickly to take advantage of the allocation capacity.

Kathy McKinney, bond counsel, said that one issue is that some of the bond issues have an unintended consequence that could come up. She said some of the bond provisions that will be used to issue these new types of bonds have a 20-day challenge period. She noted that if the Board meeting stays on December 15<sup>th</sup> people will lose the ability to use this bond mechanism. She said that will take out about a third of the bonds. She said the State has the ability to use these bonds, but if the Board meeting stays on December 15<sup>th</sup> the 20-day challenge period will fall into 2011 and that the provision expires at the end of December for some of the bonds.

Governor Sanford asked Ms. McKinney when she would need for the Board to meet from an operational standpoint. Ms. McKinney responded that it would be great to have a meeting around the middle to late November. Governor Sanford said that the time concerns are duly noted and that Mr. Fusco will work with her on scheduling.

In further discussion with Mr. Eckstrom, Ms. McKinney noted that if the bonds do not close prior to the December deadline a lot of allocation will go unused unless it can be put to a central place and then reallocated. Mr. Eckstrom pointed out that Ms. McKinney was assuming that there will be bond issues to come before the Board in December. Ms. McKinney stated that she has talked with other bond counsel and that she is aware of at least three or four issues that look like they have bank financing that will be able to come forward. Mr. Eckstrom asked why

the bond issues would not be able to come forward prior to the date that would make it impossible for them to close. Ms. McKinney said procedurally people have been waiting to see if this was even an option and that the bond issue is going to take 90 days to do. She said they will run out of time because of the scheduling of the Board meetings. She said one would have to have a bond issue ready by July 20<sup>th</sup> for the August Board meeting and that is not realistic. Mr. Chellis said that what Ms. McKinney wants assurance of is that the Board will commit to taking action if she needs for the Board to act. Ms. McKinney said that is correct and the Board would not have to meet more than once somewhere in the November time frame.

Upon a motion by Mr. Chellis, seconded by Senator Leatherman, the Board took the following action:

- 1) Established an Advisory Committee to make recommendations to the Board by for any reallocation of unused ARRA Bond volume cap allocations. The Advisory Committee is to be comprised of the Executive Director of the Budget and Control Board or his designee, the Secretary of Commerce or his designee, the Executive Director of the County Association or his designee, the Executive Director of the South Carolina Jobs-Economic Development Authority or his designee, the Director of the Office of Local Government of the Budget and Control Board, and the Director of the Energy Office of the Budget and Control Board or his designee;
- 2) Authorized the Executive Director to communicate with local governments notifying them of their respective ARRA Bond allocation and requiring proof of intent by August 1 to use their allocation or deem their allocation waived as provided for under the Act and to make any other decisions necessary of the purpose of the Act;
- 3) Authorized the Executive Director to create and provide a form to eligible local governments and bond issuers to apply for a portion of the unallocated or aggregated ARRA Bond allocations; and
- 4) Directed the Executive Director to provide a final recommendation on reallocation of unused ARRA Bond volume cap allocations to the Board by August 10, 2010;

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

***Division of General Services: Town of Sullivan's Island (Regular Session Item #3)***

At its March 21, 2006, meeting, the Board directed General Services to sell surplus property located at 1602 Thompson Avenue on Sullivan's Island by public auction. The Town

of Sullivan's Island subsequently expressed their interest in buying the property. The Board most recently approved giving the Town until June 30, 2010, to obtain funds to purchase the property for \$1,960,000 upon the condition that the property is reappraised at the time of sale and that the property be sold for appraised value. The Town's purchase of the property was contingent on the sale of another parcel of land known as Battery Logan to the United States Department of Interior or to otherwise secure funding. The Town has not been successful thus far and requests a further extension, to June 30, 2011, to continue its pursuit of funding to purchase the property.

Upon a motion by Mr. Chellis, seconded by Mr. Cooper, the Board considered and approved the Town of Sullivan's Island request for an extension of time, to June 30, 2011, to obtain funding to purchase 1602 Thompson Avenue for \$1,960,000 or the appraised value at the time the property is sold.

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

***Division of General Services: University of South Carolina Lease of the Close-Hipp Building to the Department of Justice for the National Advocacy Center and Extension of the Current National Advocacy Center Facility Lease (Regular Session Item #4)***

The University of South Carolina (USC) proposed to make available and lease to the United States Department of Justice (DOJ) for exclusive use by the National Advocacy Center (NAC) the Close-Hipp building that currently houses the Darla Moore School of Business Administration. In addition, USC also proposed to lease to DOJ the adjacent parking facility of 365 spaces.

Prior to occupancy by NAC, the interior of Close-Hipp will be renovated and USC will contribute \$15,000,000 towards the cost of those renovations, including the cost of mitigation, abatement and/or removal of asbestos currently identified in the building and parking facility. In the event additional asbestos is discovered during the renovations and abatement, USC will be responsible for any further costs related to its abatement, mitigation or removal.

At the end of the 10<sup>th</sup> and 15<sup>th</sup> years of occupancy by NAC, USC will provide \$5,000,000 on each occasion for the upfitting of Close-Hipp and/or replacement of fixtures. All upfitting expenditures shall be for improvements that will remain for use by USC at the end of NAC's

occupancy.

The 20 year lease term will be preceded by six months' notice from USC to DOJ of the expected delivery date of Close-Hipp, moving the USC business school elsewhere on the USC campus, completion of renovations and the issuance of a certificate of occupancy. The lease is expected to begin in 2013. Rent for the building will be paid annually, in advance in the amount of \$5,301,903.75 (\$16.25 per square foot) and \$219,000 as base rent for the adjacent parking facility.

The current DOJ lease on the NAC facility next door (NACF) shall be amended to coincide with the same term at its scheduled expiration date on March 31, 2023 and will be extended to end conterminously with the Close-Hipp lease.

During the DOJ extension term beginning April 1, 2023, the rate paid to USC for the NACF will be \$16.25 per square foot for 153,814 square feet as adjusted by the percentage increase of the Consumer Price Index from December 31, 2009 to March 31, 2023 (but no more than \$29.25 per square foot). Six percent of the gross annual rent from the DOJ shall be placed by USC in a renovation reserve fund to be made available by USC solely for NACF major systems maintenance and renovations projects which the DOJ and USC will agree are necessary.

DOJ will also be responsible for all operating costs, maintenance, utility expenses and other costs of occupying and using the building except that USC will provide property insurance on the building only and for restoration in the event of casualty. Various other services may be provided by USC at the expense of DOJ, including security of the exterior of the building and adjacent parking.

Upon a motion by Senator Leatherman, seconded by Mr. Cooper, the Board approved the proposed 20 year lease of the Close-Hipp Building to the Department of Justice for the National Advocacy Center and extended the current NACF lease under the revised terms to expire conterminously.

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

***Division of General Services: University of South Carolina Parking Lease at Carolina Fair Park in Columbia (Regular Session Item #5)***

The University of South Carolina (USC) requested approval to lease from the State Agricultural and Mechanical Society of South Carolina, doing business as the South Carolina State Fair (Landlord), approximately 35 acres of an 80 acre tract commonly known as Carolina Fair Park located at 1200 Rosewood Drive in Columbia consisting of 4,074 parking spaces. The parking area is located across the street from Williams-Brice Stadium between George Rogers Boulevard and Bluff Road. Landlord is a non-profit corporation. The South Carolina State Fair has been held at Carolina Fair Park since 1904. USC currently leases the parking area during USC football home game days, excluding the days on which the annual state fair is held, under a 40 year agreement expiring June 16, 2010. Landlord completed renovations to the previously unimproved parking area in June 2009. The renovations included parallel, paved drives leading to grassed parking spaces, underground water retention ponds, plant irrigation systems, incandescent light poles and adult trees.

The lease term will be five years commencing January 1, 2010, with five optional renewal terms of five years each. The lease is terminable for any reason by either USC or Landlord during the month of December of any year during the initial term or renewal terms. The annual rent for the first three years will be \$900,000, resulting in an average rate per space, per year of \$220.91; thereafter, rent will be based on cost of living increases and will increase by the percentage of such increase as determined by the Consumer Price Index. Rent for any year will not be less than the annual rent for the immediately preceding year. Rent is based on USC's allowed use of the area for parking approximately six days per year from 7:00 a.m. on USC football game days to 2:00 a.m. on the following day, less the days on which the annual state fair is held. In addition to rent and as to the days USC uses the parking area only, USC is responsible for liability insurance, property damage insurance with earthquake coverage, cleanup, portable restrooms, parking attendants, security, utilities, permits, and paint and markings. The estimated annual cost for these additional expenses is \$155,500.

USC will rent the spaces in the parking area to its fans for game day parking. The anticipated first year rental income is \$825,000 and is expected to increase in subsequent years of the lease.

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Comparables of similar uncovered parking space rentals for game day parking near Williams-Brice Stadium are as follows:

Owner/Location	Annual Rate per Space
South Carolina State Fair Carolina Fair Park (not part of USC Lease)	\$180.00
Seawell's Food Catering 1125 Rosewood Drive	\$175.00
State of South Carolina, Department of Agriculture State Farmer's Market, Bluff Road	\$140.00

USC has adequate funds for the lease according to a Budget Approval Form submitted May 18, 2010, which also includes a multi-year plan. Lease payments will be made from parking revenues, football ticket sales and Gamecock Club membership dues. No option to purchase the property is included in the lease. No environmental assessment on the property has been made available. This lease was approved by Gary L. Goodman on behalf of Landlord as its Secretary/Manager, and by the USC Board of Trustees and Eric C. Hyman, Director of Athletics on behalf of USC. The lease was approved by CHE at its June 3, 2010 meeting. This lease was approved by the Joint Bond Review Committee at its June 3, 2010 meeting.

Mr. Eckstrom asked what happens if the re-leasing of the space to game-goers were to be priced at cost. He said that the rental income right now is projected at \$825,000 and the lease cost is going to be just over a million dollars which builds in a deficit of \$250,000. He asked what happens if that deficit goes away if the re-leasing is re-priced. Mr. Kelly said that the prices were raised to cover the total cost and that realistically nothing would probably happen. Mr. Kelly said that the University provides the parking as a benefit for the Gamecock Club membership. He said that \$250 on average for a parking space that is close to the football stadium is a bargain even if the price was raised \$10 or \$12 to cover the total cost. He said the \$850,000 is calculated on some of the most recent history that they have about selling tickets and parking spaces to games. He said unfortunately they have not sold out of all the parking spaces and if in fact they do it will be a break even basis. Mr. Kelly stated that the University is not in this to make money, but to provide benefit to their Gamecock Club membership. He said that the pricing is such that if they sell out all 4,000 parking spaces they will break even.

Senator Leatherman noted that when this matter came before the JBRC there was a concern with the one year lease. He asked Mr. Kelly whether that has been addressed. Mr. Kelly stated that that is being addressed now and that at Senator Leatherman's recommendation they have gone back to the Landlord and the Landlord is completely amenable to it. He said that they will have to go back to their board of trustees, but they will address the issue. Senator Leatherman reminded Mr. Kelly that their concern was what would happen if the Landlord did not renew the lease at the end of the year.

Mr. Chellis raised a point of personal privilege to ask if the Board would send a resolution to Coach Ray Tanner and the Gamecock Baseball Team on their successful venture in winning the College World Series. The Board members agreed to send the resolution. Mr. Fusco said that staff will draft a resolution and circulate it for signatures. Mr. Eckstrom also noted that the resolution should commend Coach Tanner for the emphasis he places on academics. [Secretary's Note: A resolution was subsequently presented to the University. A copy of the resolution will be included as part of the Board's official records.]

Upon a motion by Senator Leatherman, seconded by Mr. Cooper, the Board approved the proposed five year lease and five optional renewal terms of five years each for the University of South Carolina at Carolina Fair Park in Columbia.

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

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

Governor Sanford commented that this is not the time to add on to this front given the duress the national and state economies are under. He said that his motion would be to delay the projects. He said that he will vote against the item. Mr. Eckstrom said that he agrees with Governor Sanford.

Upon a motion by Senator Leatherman, seconded by Mr. Cooper, the Board approved the following permanent improvement project establishment requests and budget revisions which have been reviewed favorably by the Joint Bond Review Committee. Senator Leatherman, Mr. Cooper, and Mr. Chellis voted for the item. Governor Sanford and Mr. Eckstrom voted against the item.

**Establish Project for A&E Design**

- (1) Summary 4-2010: JBRC Item 2. Clemson University  
Project: 9890, Barnett Hall HVAC and Window Renovation  
Request: Establish project and budget for \$15,000 (Other, Housing Improvement funds) to begin design work to replace the HVAC system and windows in the Barnett Hall dormitory at Clemson. The two-pipe HVAC system will be replaced with an energy efficient four-pipe system and the single pane windows will be replaced with thermal pane glass. The building was constructed in 1964 and has never had a mechanical or window renovation. The systems are 46 years old and past their expected lives. The replacements are needed to maintain necessary temperature and humidity levels for occupants.
  
- (2) Summary 4-2010: JBRC Item 3. College of Charleston  
Project: 9643, Robert Scott Small Building Second Floor Classroom Conversion  
Request: Establish project and budget for \$15,000 (Other, College Fee funds) to begin design work to renovate approximately 4,800 square feet of the Robert Scott Small Building at the College of Charleston. The renovation will provide seven classrooms which will add approximately 175 seats to the College's inventory. The building has been used as swing space since 2004 and, with the recent completion of major capital projects, the vacant space can now be modified to provide needed classroom space. With these additional classrooms, the College will be able to temporarily relocate other classrooms to allow needed renovations to other facilities.
  
- (3) Summary 4-2010: JBRC Item 4. College of Charleston  
Project: 9644, Center for Social Science Research Renovation  
Request: Establish project and budget for \$28,500 (Other, College Fee funds) to begin design work to renovate approximately 7,000 square feet of the Bell Building at the College of Charleston that was vacated when Athletics moved to Carolina First Arena. Reconfiguration of the space will create the Center for Social Science Research and will include a wet lab, a seminar room, a conference room, a computer lab, and 11 small labs for cognitive and human assessment and psychology testing. The center will centralize social science research that is fragmented across the campus, enable discoveries across disciplines, and increase student research training opportunities.

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- (4) Summary 4-2010: JBRC Item 5. University of South Carolina  
Project: 6075, Arena Basketball Locker Room Renovations  
Request: Establish project and budget for \$15,000 (Other, Private funds) to begin design work to renovate the men's and women's basketball locker room areas in Colonial Life Arena at USC. The work will include reconfiguring approximately 10,000 square feet of space to create a reception lobby, combine the film and lounge areas, relocate locker rooms, and provide new finishes and furnishings to upgrade the overall appearance of the facilities. The existing locker rooms were designed and constructed for function only when the arena was constructed. The renovations are needed to enhance the basketball locker rooms so the facilities are competitive with institutions with which USC competes for players in the Southeastern and Atlantic Coast Conferences.
- (5) Summary 4-2010: JBRC Item 6. University of South Carolina  
Project: 6076, School of Medicine VA Campus Central Plant Chiller Replacement  
Request: Establish project and budget for \$24,000 (Other, Institutional funds) to begin design work to replace two chillers on USC's School of Medicine VA Campus. The chillers supply chilled water to four buildings and are critical to the daily operation of research labs and offices. A recent evaluation determined the chillers are undersized, inefficient, and have exceeded their expected lives. The chillers are 18 years old and replacement will increase energy efficiency and the reliability of the system.
- (6) Summary 4-2010: JBRC Item 7. University of South Carolina  
Project: 6077, Earth/Water/Coker Life Sciences Buildings Fire Alarm Replacement  
Request: Establish project and budget for \$12,000 (Other, Institutional Capital Project Funds) to begin design work to replace the fire alarm system servicing the Earth and Water Sciences and Coker Life Sciences Buildings at USC. The work will include replacing the Simplex fire alarm system with an upgraded addressable system in the adjoining buildings. The existing system is obsolete, outdated and original to the 1970s buildings and is no longer supported by the manufacturer. Due to the lack of fire separation between the two buildings, the work must be designed and done under one project.
- (7) Summary 4-2010: JBRC Item 8. University of South Carolina  
Project: 6078, Booker T. Washington Renovations  
Request: Establish project and budget for \$33,000 (Other, Private funds) to begin design work to renovate the Booker T. Washington Building

at USC. A majority of the work will involve renovating the auditorium to convert it to a smart classroom, including replacing seating, refinishing the stage floor, upgrading lighting and installing audio-visual systems. Additional upgrades to major building systems will include installing air conditioning, a new elevator and stairs, and modifying the entrance, toilets, and fire alarms. The renovations are needed to support the usage of the auditorium, comply with current building code and ADA requirements, and enhance the student learning environment for the theater, dance and other programs housed in the facility.

- (8) Summary 4-2010: JBRC Item 9. University of South Carolina  
Project: 6079, Close-Hipp Building Renovations  
Request: Establish project and budget for \$450,000 (Federal funds) to begin design work to renovate the Close-Hipp Building at USC when the Darla Moore School of Business relocates to new facilities. The work will include addressing life safety and code compliance issues, upgrading or replacing building systems, and reconfiguring space to accommodate the needs of the Palmetto Project for the US Department of Justice. The Palmetto Project will involve moving approximately 250 government and contractor jobs from the Washington, D.C. area to the Columbia campus. It will expand the capabilities of the National Advocacy Center to train prosecutors from across the nation and consolidate these operations in Columbia. The Department of Justice will lease the building upon completion of the Darla Moore School of Business and completion of this renovation, which will be one of three projects to upgrade the facility over the 20-year term of the lease.
- (9) Summary 4-2010: JBRC Item 10. Medical University of South Carolina  
Project: 9807, Clinical Sciences Building Third Floor Neurosciences Renovation - Phase II  
Request: Establish project and budget for \$30,000 (Other, College of Medicine Practice Plan funds) to begin design work to renovate approximately 18,800 square feet of the third floor of the Clinical Sciences Building at MUSC for the Department of Neurosciences. This is the second phase of renovations to the third floor for Neurosciences, with the first phase of 8,200 square feet in process now to consolidate administrative functions. The renovation will include reconfiguring the space, renovating the HVAC system, and installing new interior finishes, drop ceilings, and lighting. The renovation is needed to expand office availability for physicians and mid-level practitioners and consolidate faculty in the Department of Neurosciences in one location. It will increase efficiency and patient satisfaction within the department.

- (10) Summary 4-2010: JBRC Item 11. State Board for Technical and Comprehensive Education  
Project: 6016, Trident - Nursing and Science Building Construction  
Request: Establish project and budget for \$450,000 (Other, Local County funds) to begin design work to construct an approximately 90,000 square foot nursing and science building at Trident Tech. The facility will house nursing, science labs, and other classrooms, study and meeting space for students, office space for faculty, and the Nursing Resource Center. Trident Tech is the largest provider of nursing education in the Lowcountry. In Fall 2009, 652 students were enrolled in Trident nursing programs and another 985 students have been admitted for the next six terms through Fall 2011. More than 2,500 students are at various stages of preparation to begin Trident's nursing programs and Trident has the facilities for approximately 650 students. The new building will increase the capacity by 66%.
- (11) Summary 4-2010: JBRC Item 12. State Board for Technical and Comprehensive Education  
Project: 6019, York - Allied Health Building Construction  
Request: Establish project and budget for \$330,000 (Other, College Reserve funds) to begin design work to construct an approximately 63,000 square foot Allied Health building at York Tech. The facility will include classrooms, laboratories and faculty offices for the Health and Human Services programs. The new facility will allow the college to meet the increasing demand for health care professionals in the college's service area. The college has added eight new health care programs in the last ten years and demand for health care professionals has increased the need for space. Existing facilities are too small, do not meet current code requirements, indoor air quality or safety standards, and have been cited as an issue with accreditation of the health programs.
- (12) Summary 4-2010: JBRC Item 14. Department of Corrections  
Project: 9696, Kirkland Correctional Institution Outdoor Lighting Upgrades  
Request: Establish project and budget for \$4,252 (Federal funds) to begin design work to replace the outdoor lighting at Kirkland Correctional Institution on Broad River Road in Columbia. The work will include replacing 187 fixtures which require 105,080 watts of electricity with 72 fixtures which will require only 77,400 watts and can be retracted for maintenance purposes. The lighting will cover the entire yard and perimeter and existing shadowed areas will be eliminated. The replacements will improve energy

efficiency and will result in energy cost savings.

- (13) Summary 4-2010: JBRC Item 15. University of South Carolina  
Project: 6069, Darla Moore School of Business Construction  
Request: Increase budget to \$9,750,000 (add \$8,400,000 Other, Gift of A&E Services funds) to accept a gift of A&E design services for construction of the Darla Moore School of Business at USC. The project was established in December 2009 for pre-design services and USC's Business Partnership Foundation has offered to provide the gift of full design services for the school. In order to continue with the pre-design phase, the gift of design services must be approved. The new business school will consist of approximately 200,000 to 300,000 square feet, featuring state-of-the-art classroom and meeting space, modern faculty and staff offices, and common areas needed to support the mission of the business school. The new facility is needed to provide for the growth and development of the Darla Moore School of Business and to continue the excellence of its nationally recognized International Business and other undergraduate and graduate programs.
- (14) Summary 4-2010: JBRC Item 16. Office of Adjutant General  
Project: 9740, Sumter Readiness Center Addition Construction  
Request: Increase budget to \$389,800 (add \$239,800 Federal funds) to complete design work through construction documents for constructing a 14,234 square foot addition to the Sumter Readiness Center for the National Guard. The project was established in December 2008 for pre-design work, which is now complete. The addition will include classroom, training, administrative and storage spaces, kitchen upgrades, and parking to achieve proficiency in required training tasks and will support the 351<sup>st</sup> Aviation Support Battalion. Under federal funding requirements, the design of the addition must be completed by September 30, 2010. In order to meet that deadline, the Adjutant General's Office requests approval to complete the design work prior to establishing the construction budget. The project will be 100% federally funded and funding for construction is anticipated in federal fiscal year 2011.
- (15) Summary 4-2010: JBRC Item 17. Office of Adjutant General  
Project: 9751, Allendale Readiness Center Expansion  
Request: Increase budget to \$378,170 (add \$288,170 Federal funds) to complete design work through construction documents for an 18,696 square foot addition and renovations to the Allendale Readiness Center for the National Guard. The project was established in December 2009 for pre-design work which is now

complete. The expansion will include classrooms, a fitness room, kitchen and other spaces. The addition will be partially funded by Allendale County and jointly shared with Allendale County emergency units. The design will identify areas to be shared and areas to be used solely by the county. Under federal funding requirements, the design for the expansion must be completed by August 31, 2010. In order to meet that deadline, the Adjutant General's Office requests approval to complete the design work prior to establishing the construction budget. The National Guard's portion of the project will be 100% federally funded and funding for the construction is anticipated in federal fiscal year 2011.

### **Establish Construction Budget**

- (16) Summary 4-2010: JBRC Item 18. College of Charleston  
Project: 9637, 72 George Street Renovation  
Request: Increase budget to \$1,200,000 (add \$1,174,136 Other, College Fee funds) to renovate the 72 George Street facility which houses English faculty at the College of Charleston. The project was established in May 2008 for pre-design work which is now complete. The work on the 3,736 square foot facility will include installing new mechanical, electrical, plumbing, fire alarm, and information technology systems, a new roof and windows, refurbishing the piazza, repairing the exterior and interior, and improving the building's accessibility. The building was built in 1837 and has not received a major renovation in more than 30 years. Building systems have exceeded their useful lives and are not energy efficient. Energy savings and conservation measures will include the installation of energy efficient mechanical and electrical systems, roof and windows, and creation of an energy efficient crawl space and attic. The agency reports the total projected cost of this project is \$1.2 million and additional annual operating costs ranging from \$2,500 to \$5,000 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is March 2011 and for completion of construction is November 2011. (See Attachment 1 for this agenda item for additional annual operating costs.)
- (17) Summary 4-2010: JBRC Item 19. College of Charleston  
Project: 9641, 5 College Way Renovation/Repairs  
Request: Increase budget to \$1,820,500 (add \$1,798,000 Other, College Fee funds) to renovate the 4,821 square foot 5 College Way facility at the College of Charleston. The project was established in

December 2009 for pre-design work which is now complete. The renovation will include installing new electrical, plumbing and mechanical systems, restoring architectural features, installing new interior finishes, upgrading technology infrastructure, replacing the roof, and repairing and repainting the exterior. The building was constructed in 1826 and has not had a major renovation in more than 30 years. It was vacated by the School of Education faculty in 2007 and, upon completion of the renovations, will serve as the administrative home of the English Department and affiliated programs. Energy savings and conservation measures will include the installation of low water use plumbing fixtures and energy efficient HVAC and lighting systems. The agency reports the total projected cost of this project is \$1,820,500 and additional annual operating costs ranging from \$2,500 to \$5,000 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is February 2011 and for completion of construction is October 2011. (See Attachment 2 for this agenda item for additional annual operating costs.)

- (18) Summary 4-2010: JBRC Item 21. Francis Marion University  
Project: 9561, Athletic Complex Construction  
Request: Increase budget to \$11,300,000 (add \$11,165,000 - \$8,365,000 Athletic Revenue Bonds, \$1,100,000 Other, Real Estate Foundation, \$1,000,000 Other, Capital/Maintenance Reserve and \$700,000 Other, Private Donation funds) to construct a new athletic complex at Francis Marion. The project was established in December 2009 for pre-design work which is now complete. The complex will include an 800-seat baseball stadium, a 300-seat softball stadium, a 400-seat soccer stadium, an approximately 9,000 square foot field house with athletic offices, parking, lighting and support facilities. The complex is needed to meet the needs of an NCAA Division One intercollegiate athletic program and to help achieve Title IX equity for student athletes. The existing facilities are more than 30 years old, are over-crowded and do not allow room for expansion or renovation. The field house will be constructed to LEED Silver certification with energy conservation measures including low-flow plumbing fixtures, energy efficient lighting, heat-reducing cool roofs, thermal resistance building envelope, and recycled materials. The agency reports the total projected cost of this project is \$11.3 million and additional annual operating costs of \$186,000 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is November 2010 and for completion of construction is December 2011. (See Attachment 3

for this agenda item for additional annual operating costs.)

- (19) Summary 4-2010: JBRC Item 22. University of South Carolina  
Project: 6064, Columbia Campus Elevator Upgrades  
Request: Increase budget to \$2,400,000 (add \$2,368,500 Other, Institutional Capital Project Funds) to upgrade ten elevators in three major buildings at USC. The project was established in June 2009 for pre-design work which is now complete. The work will include upgrading or replacing controllers, upgrading door equipment, providing HVAC for the equipment, replacing machine equipment, and renovating elevator cabs in elevators in the Thomas Cooper Library, Russell House and Coker Life Sciences Buildings. The elevators range in age from 34 to 53 years old. These elevators are the most in need of upgrade and modernization, as prioritized by the elevator maintenance vendor, and are in three of the highest traffic buildings on campus. Modernization will reduce the number and frequency of shutdowns and entrapments, which negatively affect academic and administrative programming. Energy efficiency measures will include the installation of energy efficient lighting in the cabs. The agency reports the total projected cost of this project is \$2.4 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 October 2010 and for completion of construction is July 2011.
- (20) Summary 4-2010: JBRC Item 23. University of South Carolina  
Project: 6071, Horizon I First Floor Laboratory Upfit  
Request: Increase budget to \$4,100,000 (add \$4,070,000 - \$1,000,000 Federal and \$3,070,000 Other, Facilities and Administrative Cost funds) to upfit the 23,396 square foot first floor of the Horizon I building at USC which was constructed as shell space. The project was established in December 2009 for pre-design work which is now complete. The work will include upfitting wet labs, office and conference space for the Wet-Lab Incubation Facility and upfitting lab and office space for a Centers of Economic Excellence Endowed Chair. The Wet-Lab Incubation Facility will be used by entrepreneurs and researchers to develop new technologies and will contribute to the commercialization of technology and the recruitment and retention of students and faculty. Upfit to the remaining space is needed to support the research activities of the Centers of Economic Excellence. Energy savings and conservation measures will include installation of an HVAC system to save energy when the fume hoods are closed and measures incorporated into the original building design. The

agency reports the total projected cost of this project is \$4.1 million and additional annual operating costs of \$249,167 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is January 2011 and for completion of construction is September 2011. (See Attachment 4 for this agenda item for additional annual operating costs.)

- (21) Summary 4-2010: JBRC Item 24. University of South Carolina  
Project: 6072, Harper/Elliott Renovations  
Request: Increase budget to \$3,830,000 (add \$3,773,750 - \$3,693,750 Other, Housing Maintenance Reserve and \$80,000 Other, Institutional Capital Project Funds) to renovate the residential wings of the Harper/Elliott buildings at USC. The project was established in December 2009 for pre-design work which is now complete. The renovation, to be done over two summers, will include replacing the mechanical and electrical systems, ceilings, and lighting, upgrading power and data wiring, refurbishing walls and floors, upfitting kitchenettes with new cabinets and appliances, and replacing plumbing fixtures and exterior windows. The renovations are needed to address maintenance required to keep the facility in good repair, to meet the expectations of today's students, and to help USC maintain its competitive advantage in recruiting new students. Energy savings and conservation measures will include the installation of energy efficient lighting and windows, a new energy control management system, water-saving plumbing fixtures and energy-star appliances. The agency reports the total projected cost of this project is \$3,830,000 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 April 2011 and for completion of construction is July 2012.
- (22) Summary 4-2010: JBRC Item 25. USC - Lancaster  
Project: 9510, Hubbard Hall Interior Repairs/Renovation  
Request: Increase budget to \$400,000 (add \$300,000 Appropriated State funds) to renovate and repair the interior of Hubbard Hall at USC-Lancaster. The project was established in March 2008 for pre-design work which is now complete. The work will include removing a stairwell to open up the lobby, redesigning the reception desk, updating atrium furniture, creating computer workstations, installing new lighting, carpeting and ceilings, and painting. Hubbard Hall, the main classroom and administrative building on campus, has not been renovated since its construction in 1964. Interior renovations are needed to provide a suitable

learning environment for students, to improve functionality, appearance, and ADA accessibility, and to extend the useful life of the building. Energy savings measures will include the installation of energy efficient lighting. The agency reports the total projected cost of this project is \$400,000 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 July 2010 and for completion of construction is August 2011.

- (23) Summary 4-2010: JBRC Item 26. Medical University of South Carolina  
Project: 9799, Harborview Office Tower Renovation  
Request: Increase budget to \$3,300,000 (add \$3,282,000 Other, College of Medicine Practice Plan funds) to renovate approximately 19,125 square feet on the first and tenth floors of the Harborview Office Tower to create a Neurosciences Clinic at the Medical University. The project was established in November 2008 for pre-design work which is now complete. The work will include upgrading the mechanical, electrical and fire alarm systems, demolishing and reconstructing interior spaces on the two floors, and addressing water intrusion problems on the tenth floor. The first floor space will provide exam, interview, and procedure rooms for the clinic and the tenth floor space will provide offices for clinic physicians, researchers and support staff. The Neurosciences Clinic will combine Alzheimer's, movement disorders and stroke clinical and research functions into one location, eliminate leased properties, and increase operational efficiencies and academic collaboration. The agency reports the total projected cost of this project is \$3.3 million and annual operating cost savings of \$150,000 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is January 2011 and for completion of construction is October 2011. (See Attachment 5 for this agenda item for annual operating cost savings.)
- (24) Summary 4-2010: JBRC Item 27. Medical University of South Carolina  
Project: 9805, Basic Science Building Microbiology/Immunology Renovation  
Request: Increase budget to \$6,616,774 (add \$6,541,774 Federal funds) to renovate approximately 21,000 square feet of the Basic Science Building at MUSC for the Department of Microbiology and Immunology. The project was established in June 2009 for pre-design work which is now complete. The renovation will include reorganizing existing lab suites, creating flexible lab spaces, upgrading the mechanical and electrical systems, improving accessibility, and installing new finishes, lab furniture, and state-

of-the-art equipment. The work will also include constructing a connection bridge between the Basic Science Building and the adjacent Drug Discovery Building currently under construction. The renovation will provide a lab environment that meets current standards for biomedical research and will enhance the research capacity and productivity of faculty in the department. Energy savings and conservation measures will include installing energy efficient lighting and recycling materials. The agency reports the total projected cost of this project is \$6,616,774 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 2011 and for completion of construction is March 2012.

- (25) Summary 4-2010: JBRC Item 28. State Board for Technical and Comprehensive Education  
Project: 6001, Lowcountry - Hampton Campus Mungin Center Renovation  
Request: Increase budget to \$1,169,000 (add \$1,151,465 - \$598,000 Federal, \$420,374 Other, Hampton County and \$133,091 Other, Local College funds) to renovate the Mungin Center on the Hampton Campus of the Lowcountry Tech in Varnville. The project was established in August 2009 for pre-design work which is now complete. The renovation will include installing new windows, replacing the HVAC system, repairing or replacing the roof, adding multi-media equipment, upgrading finishes, constructing a secure entrance, and adding parking to the classroom/administrative facility. The building has not had a major renovation since it was constructed in the mid-1970's. The renovation will modernize the facility, address deferred maintenance and ADA issues, and provide for changes requested by Hampton County to meet its workforce training requirements. Energy savings and conservation measures will include installing energy efficient windows and HVAC system. The agency reports the total projected cost of this project is \$1,169,000 and annual operating cost savings of \$1,840 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is October 2010 and for completion of construction is August 2011. (See Attachment 6 for this agenda item for annual operating cost savings.)
- (26) Summary 4-2010: JBRC Item 29. State Board for Technical and Comprehensive Education  
Project: 6005, Greenville - Barton Campus Information Technology/Logistics Building Construction

Request: Increase budget to \$5,847,139 (add \$5,779,639 Other, Local funds) to construct an approximately 35,292 square foot information technology and logistics building on the Barton Campus of Greenville Tech. The project was established in December 2009 for pre-design work which is now complete. The facility will house the college's information technology, shipping, receiving, warehousing, inventory control, planning and grants programs and the Vice President for Institutional Effectiveness. These functions are currently housed in two buildings which were not designed for their current uses, do not meet current space needs, have deferred maintenance issues, and are not cost effective to renovate. The facility will be constructed to LEED Silver certification and will include solar heat, sustainable mechanical and electrical features, recycled materials, and energy efficient building systems. The agency reports the total projected cost of this project is \$5,847,139 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 November 2010 and for completion of construction is August 2011.

(27) Summary 4-2010: JBRC Item 30. State Board for Technical and Comprehensive

Education

Project: 6008, Horry-Georgetown - Conway Building 400 Replacement

Request: Increase budget to \$13,455,000 (add \$13,267,500 - \$9,418,500 Other, Horry County Schools One Cent Tax and \$3,849,000 Other, Technical College One Cent Tax funds) to construct an approximately 50,000 square foot building at Horry-Georgetown Tech. The project was established in December 2009 for pre-design work which is now complete. The work will include demolishing the existing 12,000 square foot Building 400 and replacing it with a new 50,000 square foot facility which will include classrooms, labs, and faculty offices. The existing facility is antiquated for instructional use, not energy efficient, and no longer meets the physical growth or technological needs of the college. The new joint-use facility will provide academic space for the college and for the Horry County Early College High School Program and will be jointly funded by the college and the county. The facility will be constructed to LEED Silver certification and will include sustainable site, water and energy efficiency, and indoor air quality measures. The agency reports the total projected cost of this project is \$13,455,000 and additional annual operating costs ranging from \$103,280 to \$111,708 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is March

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2011 and for completion of construction is March 2012. (See Attachment 7 for this agenda item for additional annual operating costs.)

- (28) Summary 4-2010: JBRC Item 31. Budget and Control Board  
Project: 9878, Energy Facility Cooling Tower #3 Replacement  
Request: Increase budget to \$437,610 (add \$432,735 Other, Deferred Maintenance funds) to replace cooling tower #3 at the Budget and Control Board's energy facility. The project was established in December 2009 for pre-design work which is now complete. The existing 18-year old cooling tower will be replaced with a new 1,250 ton cooling tower. The existing cooling tower is leaking and repairs are not possible because of its age. The new cooling tower will be more energy efficient by using less water and electricity. The agency reports the total projected cost of this project is \$437,610 and annual operating cost savings of \$10,000 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is October 2010 and for completion of construction is January 2011. (See Attachment 8 for this agenda item for annual operating cost savings.)
- (29) Summary 4-2010: JBRC Item 32. Budget and Control Board  
Project: 9888, Supreme Court - Metal Gutters/Roof Replacement  
Request: Increase budget to \$493,212 (add \$481,212 Other, Deferred Maintenance funds) to replace roofing and gutters on the Supreme Court Building. The project was established in February 2010 for pre-design work which is now complete. The work will include replacing the internal metal gutters and recovering the metal roofing which date to the original construction in 1920. The gutters and roofing have been coated many times over their lives with waterproofing treatments, some of which contain lead and asbestos. Ongoing leaks require increasing amounts of maintenance and are damaging the interior wall coverings and casework. A roofing consultant concluded that replacing the gutters and recovering the metal roofing is the best way to eliminate the leaks in the long term. The agency reports the total projected cost of this project is \$493,212 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 2010 and for completion of construction is March 2011.
- (30) Summary 4-2010: JBRC Item 33. Educational Television Commission  
Project: 9514, Telecommunications Center Renovation  
Request: Increase budget to \$1,644,987 (add \$1,035,987 - \$87,808 Capital

Reserve Fund and \$948,179 Other, Private Donation funds) to renovate approximately 4,806 square feet in ETV's Telecommunications Center to house ETV radio. The project was established in November 2000 to do minor renovations to the Telecommunications Center and the scope was revised in March 2009 to begin pre-design work on the radio renovation, which is now complete. The work will include constructing radio studios, control rooms and technical facilities, edit rooms for editing local radio content, and office space for employees. The renovation is needed to provide reliable facilities to meet radio broadcast needs, to provide a location close to engineering and technical staff who respond to radio technical issues, and to begin the move of all ETV offices from the Administration building to the Telecommunications Center. Current facilities lack reliable HVAC and a backup generator which results in overheating of equipment and termination of radio signals. The agency reports the total projected cost of this renovation is \$1,265,149 and of the entire project is \$1,644,987 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 2011 and for completion of construction is September 2011.

- (31) Summary 4-2010: JBRC Item 34. Museum Commission  
Project: 9501, Observatory/Planetarium/Theater Construction  
Request: Increase budget to \$20,534,478 (add \$19,496,000 - \$3,000,000 Capital Improvement Bonds, \$500,000 Capital Reserve Fund, \$7,000,000 Appropriated State, \$5,500,000 Other, Foundation JEDA Bond, \$1,996,000 Other, Foundation NASA and \$1,500,000 Other, Foundation Cash funds) to construct new observatory, planetarium and theater facilities at the State Museum. The project was established in December 1996 for master planning and increased in 1999 when state funding was provided for design work, which is now complete through design development. The work will include constructing approximately 22,655 square feet of new facilities and renovating approximately 47,500 square feet of the existing facility. The construction will provide a state-of-the-art observatory, a 55-foot digital dome planetarium, and a 4-D theater, and create an astronomy library, a teacher resource center and related facilities. The new facilities will provide enhanced science and technology programs to classes that visit the museum and through distance learning technology, increasing the museum's outreach capacity to schools that cannot travel to Columbia. It will also increase attendance and revenues to help sustain museum operations. Energy conservation measures will include an energy efficient HVAC system, energy efficient lighting, and water saving

plumbing fixtures. The agency reports the total projected cost of this project is \$20,534,478 and additional annual operating costs of \$1,725,000 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is July 2011 and for completion of construction is December 2012. With approval of the project, the agency also requests approval of the new start authority to begin drawing funds from the \$3 million Capital Improvement Bond authorization in Group 56 (January - June 2010). (See Attachment 9 for this agenda item for additional annual operating costs.)

- (32) Summary 4-2010: JBRC Item 35. Department of Disabilities and Special Needs  
Project: 9825, Coastal Center - Jasper Day Program Addition  
Request: Increase budget to \$600,000 (add \$596,258 Excess Debt Service funds) to construct an addition to DDSN's Jasper Day Program facility in Ridgeland. The project was established in June 2009 for pre-design work which is now complete. The work will include constructing a 3,200 square foot addition that includes two large day program spaces, accessible restrooms, additional file storage space and several offices and replacing the duct work in the existing facility. The 6,650 square foot day program facility was constructed in 1996 and is no longer large enough to meet consumer and staff needs due to the rapid population growth in the Lowcountry. The addition will eliminate the need to lease office space offsite. Energy savings measures will include the installation of energy efficient lighting and insulation. The agency reports the total projected cost of this project is \$600,000 and annual operating cost savings of \$12,000 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is January 2011 and for completion of construction is June 2011. (See Attachment 10 for this agenda item for annual operating cost savings.)
- (33) Summary 4-2010: JBRC Item 36. Department of Disabilities and Special Needs  
Project: 9837, Whitten Center Outdoor Recreation Area Construction  
Request: Increase budget to \$350,000 (add \$344,750 Other, Whitten Center Special Contribution funds) to construct an outdoor recreation area at DDSN's Whitten Center in Clinton. The project was established in February 2010 for pre-design work which is now complete. The work will include constructing a shelter for outdoor activities which is sheltered from the sun and other elements and a multi-

purpose court for a variety of outdoor games and activities. Residents at Whitten Center are more physically disabled and older now than residents in past years. The recreation area will be a focal point for outdoor activities and within walking and wheelchair-assisted distance from dorms. The project is requested by the Whitten Center Foundation, a consumer advocate group which is fully funding the project. Energy savings measures will include the installation of energy efficient outdoor lighting. The agency reports the total projected cost of this project is \$350,000 and additional annual operating costs of \$600 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is January 2011 and for completion of construction is July 2011. (See Attachment 11 for this agenda item for additional annual operating costs.)

#### **Increase Budget**

- (34) Summary 4-2010: JBRC Item 38. The Citadel  
Project: 9602, Daniel Library Renovations  
Request: Increase budget to \$1,635,000 (add \$45,000 Other, Gift funds) to accept the donation of additional funds to complete the renovation of the Daniel Library at The Citadel. The project was established in November 2007 for pre-design work and the construction budget was established in February 2009. A donation of \$45,000 has been received from the Class of 1970 to fund a new entrance to the facility. In addition, the renovation will include constructing an information commons area and new central stairway, improving the HVAC and electrical systems, replacing the ceiling tiles in renovated areas, and painting the interior. The increase is needed to include funding recently received for the entrance portion of the renovation. Daniel Library has not had a major renovation since its construction in 1960. The agency reports the total projected cost of this project is \$1,635,000 and no additional annual operating costs will result from this request. The agency also reports the construction contract was executed on April 30, 2010, and the projected date for completion of construction is September 2010.
- (35) Summary 4-2010: JBRC Item 39. Criminal Justice Academy  
Project: 9607, Criminal Justice Academy Village Construction  
Request: Increase budget to \$14,350,000 (add \$2,225,000 Other, Surcharge funds) to cover the full cost to construct new classroom, dormitory, gymnasium and dining facilities at the Criminal Justice Academy. The project was established for pre-design work in November

2008 and increased to establish the full design and construction budget in February 2009. The project has been designed and bid and additional funds are needed to complete the project. The increase is needed to cover site and utility costs that were not originally anticipated, to cover the costs for LEED certification and commissioning, to provide a more energy efficient mechanical system, and to provide for furnishings and equipment for the new facilities. The agency reports the total projected cost of this project is \$14,350,000 and additional annual operating costs ranging from \$803,763 to \$850,590 will result in the three years following project completion. (See Attachment 12 for this agenda item for additional annual operating costs.)

**Establish Project for Preliminary Land Studies**

- (36) Summary 4-2010: JBRC Item 40. Lander University  
Project: 9530, Cokesbury Gardens Apartment Complex Property Acquisition  
Request: Establish project and budget for \$45,000 (Other, Housing Reserve funds) to procure the investigative studies required to adequately evaluate property prior to purchase. Lander University is considering the purchase of the Cokesbury Gardens Apartment Complex located on 12.1 acres of land on McNeil Avenue, approximately one-half mile from the campus in Greenwood. The complex consists of 13 apartment buildings providing approximately 388 bedspaces, a laundry facility, paved parking, a recreation area, and two adjacent wooded lots. Lander has the ability to provide 1,086 bedspaces for students on campus. In Fall 2009, Lander had 1,247 requests for university-provided housing and, based on pre-paid deposits, expects in excess of 1,500 housing requests for Fall 2010.
- (37) Summary 4-2010: JBRC Item 41. State Board for Technical and Comprehensive Education  
Project: 6018, Tri-County - Highway 76 Land Acquisition  
Request: Establish project and budget for \$20,000 (Other, Local funds) to procure the investigative studies required to adequately evaluate property prior to purchase. Tri-County Technical College is considering the purchase of an approximately 46,000 square foot industrial facility on five acres of land on Highway 76 in Anderson to relocate its Welding, HVAC and other Industrial and Electronic Technology programs. These programs are located in a building on campus which was not designed for its current use, is obsolete, does not meet current safety standards, and is not economically feasible to renovate. Over the past five years, enrollment in the

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welding program has more than tripled and in the HVAC program has increased by 97%. To handle the growing enrollment in Welding and HVAC, the programs need to relocate to a modern facility. The move will also free up approximately 10,000 square feet of space for other programs in a second building on campus.

Information relating to this matter has been retained in these files and is identified as Exhibit 20.

***Office of State Budget: Real Property Acquisitions (Regular Session Item #7)***

Upon a motion by Mr. Cooper, seconded by Senator Leatherman, the Board approved the following real property acquisitions as recommended by the Office of State Budget. Senator Leatherman, Mr. Cooper, and Mr. Chellis voted for the item. Governor Sanford and Mr. Eckstrom voted against the item.

(a) <b><u>Agency:</u></b>	<b>Coastal Carolina University</b>
Acreage:	188± acres, known as Quail Creek Golf Course and driving range
Location:	On University Boulevard in Conway
County:	Horry
Purpose:	To support the university's Professional Golf Management Program.
Appraised Value:	\$3,775,000
Price/Seller:	\$3,036,698 / Chestnut Holding, LLC, Morgantown, West Virginia
Source of Funds:	Other, Horry County Sales Tax funds
Project Number:	H17-9572
Environmental Study:	Approved
Building Condition	Approved
Assessment:	
Additional Annual Op Cost/SOF:	No additional annual operating costs will result from the acquisition as the university pays operating costs under the lease. Annual operating cost savings of \$353,000 will result from annual leased payments that will not be incurred after acquisition. The university will spend approximately \$277,316 on repairs, which will be funded with Other, Private funds.
Current Year Property Tax:	\$36,144
Approved By:	CHE on 12/7/09; JBRC on 2/10/10
Additional Information:	This request also includes approval of an increase to the

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permanent improvement project budget of \$3,180,000 from the fund source noted above.

- (b) **Agency:** **Department of Natural Resources**  
Acreage: 2,436± acres  
Location: On SC Highway 56 and the Little River near Clinton  
County: Newberry  
Purpose: To complete acquisition of the 4,664-acre Belfast Tract to protect water quality and provide wildlife habitat and public recreation opportunities.  
Appraised Value: \$7,710,440  
Price/Seller: \$7,710,440 / The Conservation Fund, Arlington, Virginia  
Source of Funds: Federal and Other, Heritage Land Trust and National Wild Turkey Federation funds.  
Project Number: P24-9913  
Environmental Study: Approved  
Building Condition: N/A  
Assessment:  
Additional Annual Op: None  
Cost/SOF:  
Current Year Property Tax: \$5,349  
Approved By: JBRC on 06/02/10  
Additional Information: This request also includes approval of an increase to the permanent improvement project budget of \$7,730,440 from the fund sources noted above.

- (c) **Agency:** **Technical College of the Lowcountry**  
Acreage: .43± acres with an approximately 1,105 square foot residence  
Location: At 111 Elliott Street in Beaufort  
County: Beaufort  
Purpose: To provide for future expansion of the Beaufort campus.  
Appraised Value: \$170,000  
Price/Seller: \$159,400 / 303 Associates, LLC, Beaufort SC  
Source of Funds: Other, Local  
Project Number: H59-6007  
Environmental Study: Approved  
Building Condition: N/A  
Assessment:  
Additional Annual Op: No additional annual operating costs are anticipated. The College expects to receive revenue of \$8,000 per year from rental of the residence until the property is used for campus expansion.  
Cost/SOF:  
Current Year Property Tax: \$631.40  
Approved By: CHE on 4/5/10; JBRC on 6/2/10

Information relating to this matter has been retained in these files and is identified as Exhibit 21.

***Retirement Division: SC Deferred Compensation Commission Appointments (Regular #8)***

Members of the South Carolina Deferred Compensation Commission are appointed for three-year terms by the State Budget and Control Board.

The terms of two members of the South Carolina Deferred Compensation Commission expire this year:

State Employee – Harry Tom Cone  
Retired Public Employee -- Roland Windham

Mr. Cone is seeking re-appointment; Mr. Windham is not. Brett A. Dalton, CFO of Clemson University, is seeking appointment to the Commission.

Upon a motion by Senator Leatherman, seconded by Mr. Cooper, the Board appointed two members to the South Carolina Deferred Compensation Commission:

State Employee – Harry Tom Cone; and  
State Employee – Brett A. Dalton

Information relating to this matter has been retained in these files and is identified as Exhibit 22.

***Retirement Division: Appointments to the Retirement and Pre-Retirement Advisory Board (Regular Session Item #9)***

Section 9-2-20 of the South Carolina Code of Laws governs membership of the Retirement and Pre-Retirement Advisory Board (Board) and includes guidelines for its terms of office, vacancies, and appointment of officers. All seats on the Board are based on four-year terms, with each member being allowed to serve two consecutive four-year terms. To comply with the provisions of Section 9-2-20 (a), four members of the Board must either be reappointed or replaced. The statute also requires that at least one appointment must be an individual

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receiving benefits from the Police Officers Retirement Systems, either in an active or retired capacity.

Members must wait four years from the end of their second consecutive term to be eligible for reappointment as provided in Section 9-2-20 (b). New appointments must be made to fill the following seats, with terms to expire April 2014.

<b>Appointment Capacity</b>	<b>Incumbent</b>	<b>Nominee</b>	<b>Recommendation</b>
State Employee	Dave Leopard	Joseph V. Caputo	SC State Employees Association & The State Retirees Association of South Carolina
Higher Education Employee	Dr. Oscar Butler	Dr. Oscar Butler	State Retirees Association of South Carolina
County Employee	Robert S. Croom	Robert S. Croom	South Carolina Association of Counties
Retired Public School Employee	Beverly K. Barbee	Beverly K. Barbee	Palmetto State Teachers Association & the SC Association of School Administrators

Upon a motion by Mr. Eckstrom, seconded by Senator Leatherman, the Board appointed four members to the Retirement and Pre-Retirement Advisory Board, with terms to expire April 2014:

<b>Appointment Capacity</b>	<b>Incumbent</b>	<b>Nominee</b>	<b>Recommendation</b>
State Employee	Dave Leopard	Joseph V. Caputo	SC State Employees Association & The State Retirees Association of South Carolina
Higher Education Employee	Dr. Oscar Butler	Dr. Oscar Butler	State Retirees Association of South Carolina
County Employee	Robert S. Croom	Robert S. Croom	South Carolina Association of Counties
Retired Public School Employee	Beverly K. Barbee	Beverly K. Barbee	Palmetto State Teachers Association & the SC Association of School Administrators

Information relating to this matter has been retained in these files and is identified as Exhibit 23.

***Retirement Division: System Valuations as of July 1, 2009 (Regular Session Item #10)***

The laws governing the operation of the South Carolina Retirement Systems provide that actuarial valuations of the assets and liabilities of the System shall be made annually (Sections 9-

1-260, 9-8-30, 9-9-30, 9-11-30, 9-10-20). Each year a valuation is conducted on the five defined benefit plans administered by the Retirement Division. These valuations, in the opinion of the consulting actuary, correctly present the condition of the South Carolina Retirement Systems as to those benefits that are funded on an actuarial reserve basis.

Ms. Boykin appeared before the Board on this matter. She stated that Board members and their staff have had the opportunity to meet with John Garret of Cavanaugh Macdonald Consulting, LLC, the Board's actuary. She said that the recommendation for the Board's consideration includes a required increase in the employer contribution. She said that as the report states the original recommendation was to delay the effective date of that increase to July 1, 2012. She stated that if the increase is delayed until that date the required increase in the State Retirement System will be approximately 28 basis points and for the Police Officer's System it is approximately 48 basis points. She said that they were asked to provide alternative scenarios where the effective rate would go into effect July 1, 2011, as well as a scenario with half of the increase going into effect in July 1, 2011, and half of the increase going into effect July 1, 2012. She said the Board is asked to select from one of those alternatives to provide the required funding.

Senator Leatherman asked Ms. Boykin to explain what the Board is asked to do. Ms. Boykin stated that the Board is asked to adopt the valuations prepared by the actuary and to increase the employer contribution rate required to fund the System on a 30-year amortization period. Senator Leatherman asked whether that was based on present day value. Ms. Boykin said that it is based on the valuation as of July 1, 2009. Senator Leatherman asked whether waiting until 2012 would mean that the increase may not be as much due to the increased valuations. Ms. Boykin responded that that was the reasoning behind the recommendation to delay the effective date to give the State time to take advantage of market recovery. She said that this market recovery appears to be more protracted than it has been historically and that the delay will give the State time to take advantage of any additional market recovery. Senator Leatherman asked Ms. Boykin if she was asking to delay the increase until 2011 or 2012. Ms. Boykin replied that what the Board has before it is three different alternatives that include the original recommendation which would delay the increase to July 1, 2012; a second alternative which would be fully implemented July 1, 2011; and a split date with half of it going into effect

July 1, 2011, and half going into effect July 1, 2012.

In further conversation, Senator Leatherman asked whether waiting until 2012 would in any way jeopardize the System. Ms. Boykin responded that it would not and stated that the Board is required to fund the System on a sound basis which the threshold is within a 30-year amortization period. She said that any of the three alternatives provides the required funding to fund the System over a 30-year period. Senator Leatherman asked whether the funding increases between 2011 and 2012. Ms. Boykin stated that if the full increase goes into effect July 1, 2011, the increase would be approximately 28 basis points in the State System and delaying the increase until July 1, 2012, completely, increases it to approximately 30 basis points. She said that there is only a slight increase to delay it for an additional year.

Mr. Chellis noted that delaying the increase does not count what might have happened this past year with the increase of the recovery of some of the assets of the System. Ms. Boykin said that is correct and that the return on the system so far this year has been approximately 15%. Mr. Chellis asked whether that return has been calculated into the valuations. Ms. Boykin responded that the valuations are as of June 30, 2009, and does not take into consideration any recovery in the markets since that point. Mr. Chellis said it would make more sense to delay the increase to two years out to see what the recovery is going to do. Ms. Boykin said any of the alternatives the Board has before it would be acceptable.

Governor Sanford stated that the Retirement System has been consistently optimistic and consistently wrong in its projections. He said that the Board has had this conversation for several years as they have been on this kind of slope based on what is happening in the global and international equity markets. He said that now to move the funding back two years is a mathematical problem based on the batting average that has been seen over the last couple of years and there is a problem based on the smoothing. He said with the averaging when things tip up there will not be a bailout in terms of the numbers based on the averaging that is going to take place based on the smoothing period. Mr. Eckstrom asked whether the smoothing period was 10 years. Governor Sanford said that is correct. He said that the State still has to record losses from last year and the year before that have not been recorded in the system.

Governor Sanford noted that his research revealed a February 2010 Pew Charitable Trust report that rated South Carolina as the eleventh worst funded pension plan of all 50 states. He

said the report put South Carolina as one of the 19 states with pension funds that merit serious concern. He said the State's averages in terms of liabilities has consistently been climbing upward despite the suggestions to the contrary. He said that the retirement funding ratio has consistently gone down. Governor Sanford said he has some real difficulty waiting another two years. Mr. Eckstrom stated that another point that is consistent with Governor Sanford's observation is that what is being said is that the State can maintain a 30-year amortization with the unfunded liability this year if it is assumed that in two years employer contribution rates are increased. He said based on the existing contribution rates the 30-year roof is exceeded. He said that year after year the case is made that things are going to get better in the future and the difficult but practical decisions about funding the System or restructuring the benefit component of the System to something that is affordable are put off. Mr. Eckstrom said that the State cannot afford the System by debating and suggesting that the funding crisis that exists today be put off for two years.

Mr. Chellis said that the report Governor Sanford read did not take into consideration what the General Assembly did two years ago when it passed the Act that settled down the retirement plan and put it in a state where it will now level out. Mr. Eckstrom said that in two years it has not. Mr. Chellis said that he disagrees and that they have done away with the most expensive part of the plan, the ad hoc COLAs. He said what is not being thought about is how the entire plan has been restructured and that Mr. Eckstrom was part of that conversation and that 16 of 17 people thought it was the right way to proceed. Mr. Chellis stated that what was not realized was that over a 30-year or 40-year period the State has been giving ad hoc COLAs every year. He said the law was not clear. Mr. Eckstrom said they did not recognize that but that they all realized that. Mr. Chellis said that no matter what the right word is what he is trying to tell the Board is that the Board acted every year to give ad hoc COLAs and that the law was not perfectly clear whether to do so or not. He said by granting the COLAs every year the Board was actually acquiescing to the point where it guaranteed the COLAs. He said had the matter gone to court they could have lost and the court could have very easily told the Board what it was going to do with the plan. He said by taking the action that was done that was stopped. He said the report did not take that into consideration. He said that by taking out the ad hoc COLAs there is no jumping up and there is a smoothing out that has occurred. Governor Sanford and

Mr. Eckstrom said that they disagree with Mr. Chellis. Mr. Chellis responded that if the change had not been made two years ago and the ad hoc COLAs had been given that would have put the System way out of sight.

Governor Sanford asked how much has the unfunded liability increased this year. Ms. Boykin replied that it had increased by approximately a billion dollars. Governor Sanford said there is still a major financial problem with the unfunded liability being increased by one billion dollars. Mr. Chellis said that Governor Sanford is saying that it is major, but the cost of funding the System by increasing the contribution rate by 30 basis points, as noted by Ms. Boykin, would mean \$7 million dollars out of general fund money of a \$5 billion budget. He said that is not significant. Governor Sanford said that the accumulated liability is significant. He said that what is being done is the interest is being paid on the liability which is the carrying cost for one year in advance of the liability. Mr. Chellis said that if the Board had to grant an ad hoc COLA the cost would have been significantly more than the \$7 million dollars.

In further discussion, Governor Sanford commented that he is not criticizing what did or did not happen, but that where the Board is right now is that it must make a decision to fully fund the increase of the carrying cost of the liability for the next year or move it down two years or split the difference. He said that he is of the school of thought of dealing with the liability now because things could get worse not better. Mr. Eckstrom said that he entirely understands what Governor Sanford is saying and would typically concur with him that their lumps should be taken now. He said that he is also sensitive to the dilemma that the General Assembly as a budgeting body has in dealing with this matter. He said that he could not support putting off a funding decision for two years and that practically speaking he does not know whether the State could absorb the \$23 million in cost in next year's budget. He said that his proposal is "option C" which is to spread the funding out over a two-year period. Senator Leatherman said that listening to all of the parties he would go with the split between years 2011 and 2012. Governor Sanford cautioned the Board that it is a mistake to defer this matter. He said that he thinks the State is still in store for some serious financial repercussions and that the actuaries have been off the mark consistently. He said that the State could be digging itself a further financial hole. Mr. Eckstrom added that there is a huge unfunded liability that is getting worse and that the State needs to look at how appropriate it was to move the retirement age to the young age that it did.

He noted that the Social Security Administration has done that at the federal level in dealing with the federal deficit in the Social Security System. He stated that would have a significant impact on the State's ability to afford the System if the retirement age was moved back to a more normal age.

Upon a motion by Senator Leatherman, seconded by Mr. Eckstrom and Mr. Chellis, the Board accepted the valuations as information and adopted the actuary's recommendations including an increase to the employer contribution necessary to sufficiently fund the systems and maintain a 30-year amortization period; and adopted a contribution increase plan which split the required .29% increase in SCRS over a two year period with ½ or .145% effective July 1, 2011, and the remaining ½ or .145% effective July 1, 2012. The PORS increase is split with a .2325% increase effective July 1, 2011, and the remaining .2325% increase effective July 1, 2012. Senator Leatherman, Mr. Eckstrom, Mr. Chellis, and Mr. Cooper voted for the motion. Governor Sanford did not vote for the motion.

Information relating to this matter has been retained in these files and is identified as Exhibit 24.

***The Citadel: Not Exceeding \$14,000,000 Athletic Facilities Refunding Revenue Bonds of The Citadel, the Military College of South Carolina (Regular Session Item #11)***

The Board was asked to adopt a resolution to provide for the issuance and sale of one or more series not exceeding, in the aggregate, \$14,000,000 Athletic Facilities Refunding Revenue Bonds, The Citadel, the Military College of South Carolina. The proceeds of the bonds will be used for the purposes of refunding obligations incurred to expand, improve, construct or acquire athletic facilities and of obtaining funds for the expansion, improvement, construction or acquisition of additional athletic facilities or to reimburse The Citadel for qualifying expenditures made for such purposes.

Upon a motion by Mr. Chellis, seconded by Mr. Eckstrom, the Board adopted a resolution to provide for the issuance and sale of one or more series of not exceeding, in the aggregate, \$14,000,000 Athletic Facilities Refunding Revenue Bonds, of The Citadel, the Military College of South Carolina.

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

Exhibit 25.

***University of South Carolina: Not Exceeding \$34,000,000 Aggregate Principal Amount Athletic Facilities Revenue Bonds and Athletic Revenue Bond Anticipation Notes, Series 2010A, of the University of South Carolina (Regular Session Item #12)***

The Board was asked to adopt a resolution providing for the issuance and sale of not exceeding \$34,000,000 University of South Carolina Higher Education Revenue Bonds, Series 2010A Aggregate Principal Amount Athletic Facilities Revenue Bonds and Athletic Revenue Bond Anticipation Notes, Series 2010A, of the University of South Carolina. The proceeds of the bonds will be used for the purpose of constructing and renovating various athletic facilities, including a garage and maintenance facility, facilities infrastructure, and spring sports venues.

Upon a motion by Mr. Chellis, seconded by Senator Leatherman, the Board adopted a resolution to provide for the issuance and sale of not exceeding \$34,000,000 Aggregate Principal Amount Athletic Facilities Revenue Bonds and Athletic Facilities Revenue Bond Anticipation Notes, Series 2010A, of the University of South Carolina.

After the vote on this item, Mr. Eckstrom asked whether this item was in the permanent improvement project item or a standalone item. Mr. Kelly responded that these projects were approved months ago, but not in this agenda. Mr. Eckstrom asked whether the item that had the garage with the parking spots in a prior agenda item was related to this item. Mr. Kelly said that it was on a prior agenda.

Information relating to this matter has been retained in these files and is identified as Exhibit 26.

***Office of Human Resource: Approval of the Hiring Salaries for the Interim Director of the Department of Employment and Workforce, the President of the School for the Deaf and the Blind, Director of the Arts Commission, and Approve the Salaries for the Appellate Hearing Panel Members for the Department of Employment and Workforce (Regular Item #13)***

The Governor requested approval to hire Brigadier General John L. Finan as the Interim Director of the Department of Employment and Workforce at a salary of \$152,500. The Board of the School for the Deaf and the Blind requested approval to hire Maggie Park as the President at a salary of \$103,008.

The Board of the Arts Commission requested approval to hire Kenneth W. May as the

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Director of the Arts Commission at a salary of \$97,000. The Agency Head Salary Commission reviewed the requests and recommended for final approval of the Board the following salaries:

Name	Agency	Salary Range	Requested Salary	Recommended Salary
John L. Finan	Employment and Workforce	122,345 – 155,468 - 189,672	\$152,500	\$134,227
Maggie Park	School for the Deaf and Blind	87,112 – 110,689 - 135,041	\$103,008	\$103,008
Ken W. May	Arts Commission	78,027 – 99,145 -120,957	\$97,000	\$91,664

Additionally, the Agency Head Salary Commission recommends final approval of the Board of the following salaries for the Appellate Hearing Panel Members of the Department of Employment and Workforce:

Appellate Panel Members - \$88,000; and  
Chairman, Appellate Panel - \$91,000.

Mr. Eckstrom noted that it is a breath of fresh air to have Mr. Finan over the Department of Employment and Workforce. He said that the information that he has been getting from Mr. Finan on a weekly basis has been invaluable. Mr. Chellis noted that he has met with Mr. Finan and that he is moving full force to get the pay card system in place as soon as possible which will save the agency over \$5 million annually.

Mr. Eckstrom asked why Mr. Finan's requested salary was not approved given his demonstrated performance before he came and since coming into the position. Senator Leatherman said that the Agency Head Salary Commission reviews all requests very carefully and looks at experience and comparables and, in this case, settled on the salary of \$134, 227. Mr. Eckstrom said that the Board needs to recognize that Mr. Finan is lifting a tremendous financial burden off the shoulders of the State. Senator Leatherman said that will be reviewed when it comes up again. Mr. Eckstrom said that he does not want the action taken on this to reflect in any way or give anyone the mistaken view that the State has limited confidence in Mr. Finan's ability to manage a tremendous problem and to bring a speedy and effective solution to

that problem. Governor Sanford noted that this is a one year contract and that Mr. Finan said that he would do this for one year and then he is gone. Senator Leatherman said that the salary would be re-evaluated if Mr. Finan goes beyond the one year. Governor Sanford said that from the executive branch's point of view if someone is found for the task there needs to be some discretion to say that this is what it takes to get this team member on board. He noted that he would be voting no on the item.

Upon a motion by Senator Leatherman, seconded by Mr. Chellis, the Board Approved the requests as recommended by the Agency Head Salary Commission for the hiring salaries for John L. Finan, Interim Director of the Department of Employment and Workforce at \$134,227; Maggie Park as the President for the School for the Deaf and Blind at a salary of \$103,008; Ken W. May, Director of the Arts Commission at \$91,664; and the following salaries for the Appellate Hearing Panel Members of the Department of Employment and Workforce: Appellate Panel Members, \$88,000; and Chairman, Appellate Panel, \$91,000. Senator Leatherman, Mr. Chellis, and Mr. Cooper voted for the motion. Governor Sanford and Mr. Eckstrom voted against the motion.

Information relating to this matter has been retained in these files and is identified as Exhibit 27.

***Division of Procurement Services: S.C. Department of Education's Procurement Code Exemption Request Regarding the United States Department of Education's Race to the Top Fund Assessment Program (Regular Session Item #14)***

The South Carolina Department of Education intends to participate in two consortia of states, each of which will apply for a federal grant to be awarded by the United States Department of Education pursuant to the Race to the Top Fund Assessment Program, a program authorized by the American Recovery and Reinvestment Act of 2009.

As a condition of the grant, each state must enter into a memorandum of understanding (MOU) with the other participating states. The United States Department of Education mandates that each MOU "[i]nclude an assurance, signed by the State's chief procurement official (or designee), that the State has reviewed its applicable procurement rules and determine that it may participate in and make procurements through the consortium..." While South Carolina has the statutory authority to participate in the type of cooperative procurements contemplated, any such

procurements will be conducted by the respective consortia's lead state, currently Washington and Florida. Those states will conduct the procurements pursuant to their own state laws, which may use processes that differ from those required by the Consolidated Procurement Code. To assure that any conflicts do not impede the ability of South Carolina to participate, the South Carolina Department of Education is asking the Board to grant an exemption pursuant to Section 11-35-710.

The Governor has already signed the SC Department of Education's application to participate. The General Assembly unanimously adopted the attached Concurrent Resolution expressing support for the state's participation.

Upon a motion by Senator Leatherman, seconded by Mr. Cooper, the Board under Section 11-35-710 granted the following exemption:

Pursuant to Section 11-35-710, the Board exempts from the purchasing procedures required by the Consolidated Procurement Code procurements conducted on behalf of a consortia of states as a part of the consortia's participation in the United States Department of Education's Race to the Top Fund Assessment Program, but only with approval by the appropriate chief procurement officer [11-35-310(5)] and only if the procurements are conducted in accordance with the applicable procurement laws and policies of the consortia's Lead Procurement State and the applicable provisions of 34 C.F.R. §80.36

Information relating to this matter has been retained in these files and is identified as Exhibit 28.

### ***Future Meeting***

The Board agreed to meet at 10:00 a.m. on Tuesday, August 10, 2010, in the Governor's conference room in the Wade Hampton Building.

### ***Budget and Control Board: Discussion the Board's Budget Veto***

Mr. Fusco advised the Board that the item asked for a briefing relative to the vetoes of funding for the Board. He noted that Board staff met with Board members' chiefs of staff, lawyers, and liaisons and reviewed some possibilities. He noted that during the course of the day the Senate overrode \$2.2 million that was for the Enterprise Information System which improved the budget situation by bringing the impact of the vetoes down to about \$34 million. He said Board staff and attorneys have been looking at laws and the Governor's veto message as directed

and have presented these ideas to the Board members' staffs. Mr. Fusco noted the ideas that have been presented are not without legal risk. He stated that staff has tried to backfill the critical state required functions of government. He said that if the monies are moved reductions would be put in place over the course of the year and some of these could be significant. He said the way this would work is that one time money would be moved and, to the extent general fund programs are funded with that money, at the end of the year the programs would go away unless the Legislature or some other action occurs during the year to fund these programs with recurring funds.

Senator Leatherman asked whether what he was hearing proposed was increasing annualization or doing away with the programs. Mr. Fusco responded yes and said the Board will be backfilling critical functions of government that are mandated, such as the implementation of the statewide accounting system. He noted that about \$18.8 million is needed for that function. He stated that it is not yet know what the recurring cost for the system will be, but it will be between \$14 million and \$18 million. Mr. Fusco pointed out that several million for the Office of State Budget, the Board of Economic Advisers (BEA), and the Office of Human Resources are included in the veto. He said he guesses the General Assembly could amend these laws and not do these functions. He also noted that there is a good bit of money in the Research and Statistics area which provides a lot of data that is needed for reapportionment and some matters like that. He reiterated his answer is yes there is annualization and how much that will be is ultimately up to the Governor's recommendation and the Legislature's consideration along with certain laws that would need to be addressed as to the processes. Mr. Fusco commented that the constitution calls for the legislature to have a process for a balanced budget and that process basically is the official BEA estimate which is funded by these general funds and which the Board is required to use. He noted the Budget Office assists the Governor and the General Assembly throughout the budget process, prints the budget, carries out all the budget modifications, and implements midyear reductions and all those functions that go along with the balanced budget process. He said the Board has a number of these functions and processes that allow other agencies to operate and carry out their functions during the course of the year. Mr. Fusco stated that the bottom line is there are some annualization considerations for the Board.

Governor Sanford stated this is a case study in how government does not get cut and why

people never want to cut it. He said that what he has heard from agencies is in many cases they view the Board as somewhat predatory in not providing service and shaking them down for fees. With regard to annualizations, Governor Sanford said there is a choice to either cut certain programs or annualize. He said that is a policy question, but in light of a billion dollars worth of annualizations built into the budget to make annualization a counterpoint to doing something here when one is talking about \$20 million or \$30 million is a complete rounding error relative to the billion that is already on the books and it needs to be put in the proper perspective. He said that he keeps going back to the number of different things that he has seen over the years at the Board which does not have the level of accountability in actual administration that one would want to see in any government. Governor Sanford noted that for eight years he has been trying to have a conversation about getting an inventory of space the State owns and that has not happened. He said he cannot figure out why \$2300 would be spent on Facebook advertising, \$260,000 on promotional services, \$129,000 paid to employees in overtime work and \$344,000 on travel budget. He said he thinks there are real world efficiencies that could be found in the Board that could go straight to the issue of annualization.

Mr. Chellis said that the budget process, the budget group, and also the BEA are core functions that the rating agencies are very concerned about. He said right now the rating agencies are very concerned about what has been done and from what he understands about the annualization, a recurring revenue stream has been moved to non-recurring revenue. Mr. Eckstrom stated that there is no non-recurring revenue to cover these funds. Mr. Chellis said that is correct, but that was in the general fund as recurring revenue and that has not been taken out. Governor Sanford said the state is already a billion dollars in the hole in recurring funds. He said that Mr. Chellis is saying he is going to be really bothered by this \$20 million over here, but he is going to ignore the other billion dollars. Mr. Chellis responded that he is concerned about what the rating agencies see this as. Governor Sanford questioned why the rating agencies would not be concerned about the billion dollar annualization over all and not be concerned about the \$20 million. Mr. Chellis stated that the rating agencies are concerned about that too, but they are also concerned that money has been moved out of two of the functional areas and that they need to make sure that the State will go forward with the payment of its bond issues and not renege on its commitments. Mr. Chellis said that by what has been done the State is starting to renege on

some of those commitments one of which is the lease program the State has. Senator Leatherman asked Mr. Chellis if he was talking about SCEIS. Mr. Chellis said the SCEIS part is the accounting system that the State is putting in and it will absolutely save the State a lot of money once it is totally implemented and will tie everybody together that had not been tied together before. He said he is concerned that the way this matter went about happening is what is of concern to the rating agencies and they may think that the State might be renegeing on things that they have thought were solidly in place. He noted that is what the Board has to be careful about when it jumps into an item like this. Mr. Chellis noted that the CAFR report shows that the general reserve fund column has deficits in it. He stated that one cannot go moving funds without legal authority. He commented that when one starts moving one's legal authority from that which was determined in the past would be done to something different in the future that sends different signals.

Governor Sanford commented the Insurance Reserve Fund has been used as a slush fund for the eight years he has been in office and he has seen it over and over where it is said something cannot be done and no one blinks an eye. He stated that he has not had one call from a credit agency to say "if you do that it will have this unintended consequence". Mr. Chellis said that he has met with them for three years and in each meeting that is the discussion that they have had and he is just pointing this out as a concern and that he wants everyone to understand that when they go forward. He stated he wrote a letter to the General Assembly explaining all those items to them and Governor Sanford's veto was sustained. He also noted he understands the legal process and he is perfectly happy if that is what they do, but he wanted to make sure everyone understands. Senator Leatherman commented that a copy of the Moodys' comments when the Boeing bonds were issued said one of the reasons for the State's AAA rating is that they value very highly that the State has a Budget and Control Board that can act immediately when a shortfall occurs. He said he wants to try to make sure that nothing is done to ever jeopardize the State's AAA credit rating. He noted that the Boeing bonds were sold on an average of 3.37% interest rate. He stated that whatever section or divisions of the Board remain, if any, the Board needs to be mindful that it does not jeopardize that credit rating. He said this is a matter of deciding what happens to the Board and how to get where the Board is going. Mr. Eckstrom commented that the Board need not conclude wrongly that what is being talked about

is getting rid of the BEA, the Budget Office, or the Office of Research and Statistics. He said those core functions of the Board are not in the crosshairs on this issue. He said what this is about is being able to fund those critical functions of the Board and the only question is from where the money is going to come.

In further discussions, Mr. Fusco said that he wanted to make a couple of statements. He said that for Governor Sanford to pull up one expenditure and act like something is wrong with it is not right. He said the Board, for example, was charged with working with the Census this past year to get money into the State to get a proper count. He noted the Facebook expense was related to promoting that initiative and getting people identified and targeted. He said Board staff has consistently tried to reduce costs and in the areas where the Board charges fees it has reduced fees consistently. Governor Sanford said that he has been at the Board members' insistence. Mr. Fusco said further that Board staff has done that anyway and has exceeded whatever figure the Board put out. He stated that Board staff consistently does that year to year. He noted that the Board has had a rent rate that averages \$11.29 for thirteen years while utility costs have gone up and the Board has absorbed a lot. Mr. Fusco stated that he has never said that more costs cannot be cut. He said that he has said to the budget committees in the legislature that the Board will continue to look for cuts and reductions where they can be taken in managing down the services. He said that there are critical functions that need money tonight so that those critical functions are kept up and running. Governor Sanford commented that this is strange because every agency that has been impacted in the budget cuts could come and give their own story as to why a cut should not occur in their area. He said to offer the Board special prerogative beyond that which is offered to most other agencies is questionable, but that he will defer to the view of the Board. He stated that Senator Leatherman makes a great point with regard to the value of the Board being able to come in and cut across-the-board, although he is not a fan of across the board cuts in terms of financial solvency. He said he is not talking about changing any of the things of which Mr. Eckstrom made note. Governor Sanford further commented that he has long believed and has come to believe even more over time that the Board is sort of the central nervous system of government bureaucracy in South Carolina and that it has a lot of inefficiencies. He stated that from Republican and Democratic staffs alike the Board has a history of being a storing house for folks that left office or got booted from office or

were in different chapters of life. He said he thinks that there are legitimate questions in regard to inefficiency and that the reality of certain budget circumstances is some of those tougher calls are not made until they absolutely have to be made. He said this is about making some tough calls that should have been made quite some time ago with regard to inefficiencies and effectiveness within the Board which has been relatively insulated compared to a lot of other agencies in state government. Governor Sanford commented the Board has not experienced what has happened in health care or education or a whole range of different fronts. He stated very few agencies in state government have the operating carry-forward that the Board does and he did not know of one.

Senator Leatherman said he agrees with Mr. Eckstrom that there are some core functions that the Board does that need to continue. He said that what the Board members need to do is see if anyone can figure out a way to assess what those core functions are and figure out a way to fund those core functions and come up with something. Mr. Cooper stated he had a motion along the lines of what Senator Leatherman raised. Mr. Cooper moved to give the Governor and the Executive Director authority to determine which programs are critical to the function of the Board using the \$60 million Governor Sanford identified in his veto messages; to designate the accounts from which the funds would come to fund the critical programs; to determine the amount to be transferred from those accounts and make those transfers; and in order to promote transparency, the plan be posted on websites of the Board and the plan contain the written endorsement of the Governor and the Executive Director and would not require further action by the Board since this has to be done by tomorrow. Mr. Cooper provided the Board members with a copy of the motion. Mr. Eckstrom asked about the reference to the \$60 million made in his motion. Mr. Cooper pointed out that the veto message says \$60 million in unrestricted funds. Mr. Eckstrom noted that the House sustained the veto. Mr. Cooper pointed out that while the House sustained the veto, he did not vote to sustain the veto and that he was on the losing side of that vote. He said that he told the House members that they did not know whether in fact those were unrestricted accounts. Senator Leatherman said that something like this has got to be done to try and determine the core functions of the Board and how to fund those core functions. He said on that basis he would second the motion and that he would like to see an open discussion.

Mr. Chellis noted that Governor Sanford's veto message had identified \$60 million of

unrestricted accounts. He said when one does audits of any kind of governmental groups whether it is a small town or some larger county one has to be very careful of the money that is chosen because it could have consequences of refunding money to the federal government or violating law. Mr. Chellis continued that the Board needs to make sure these are unrestricted accounts and noted that there is value in making sure these are not designated funds. Mr. Eckstrom asked who defines the meaning of the terms “unrestricted” and “trust funds” that are being used. He said those are accounting terms and the flexibility proviso puts the definition of terms used back to the Comptroller’s Office. Mr. Chellis commented that part of what they are talking about is general fund money and it is his understanding as of last year there was a deficit in general fund money. He said he does not know where there would be any unrestricted funds sitting in general funds. He said that his audit experience tells him the Board should be very concerned about where this money might be coming from and that the Board has to be very careful. Mr. Eckstrom said those are accounting terms and the flexibility proviso puts the definition of terms used back to the Comptroller’s Office. Senator Leatherman said that based on his reading of Mr. Cooper’s motion it will be up to the Governor and the Executive Director to make the determination where the \$60 million unrestricted money is. Mr. Eckstrom noted that the second part of Mr. Cooper’s motion said the accounts to be used are those that “are not designated as trust fund accounts and are not accounts containing funds for which the Board simply acts” as custodian. Senator Leatherman said none of them want to go into trust funds and he does not believe they would ever advocate that. He said he certainly would not. Mr. Fusco mentioned that is the billion dollars that everybody talks about. He said that is the insurance reserve trust fund, the employee insurance program trust fund, and the OPEB (Other Post Employee Benefits) trust fund. He said that primarily those make up the billion dollars you hear about. Senator Leatherman pointed out to Governor Sanford that he has a great opportunity to prove to the people how efficient government can really be. Governor Sanford said he gets the politics of this. Senator Leatherman said that Governor Sanford’s veto message says \$60 million in unrestricted funds have been identified. He said he does not know where it is or what it is.

In further discussion, Mr. Eckstrom stated there is an accounting category in the accounting system for restricted funds and there is clearly \$60 million times some number of funds in other areas not categorized as restricted. He said this gets back to the question, “Who’s

defining this term unrestrictive?”. He said his view is if there is a category of accounts called restrictive, trust funds fall under those restrictive accounts. He said it leaves tremendous discretion. Senator Leatherman commented that he thinks the discretion is needed. Mr. Cooper noted that budget Proviso 89.87 actually defines those terms. Mr. Fusco said there are two provisos that govern the movement of money. Mr. Eckstrom asked Mr. Cooper to tell him the definitions he was referring to. Mr. Cooper said Proviso 89.87 allows agencies to spend agency earmark in restricted accounts designated as special revenue funds.

Governor Sanford said he understands the political dynamic in this situation and that this is going to be painful politically. He said this puts Board members in a good spot in that Board members can say that their hands are clean and that the Governor dealt with it with the Executive Director of the Budget and Control Board. He stated there is going to be a horrendous budget year next year and that at the end of the day he is trying to do the Board a favor. He said the easiest thing for his administration to do would be to say “not my problem, y’all deal with it”. He said he is willing to bite the bullet on this and deal in good faith with the Executive Director to find the programs that will fit and he will take the political heat that will come with it. Mr. Eckstrom stated that it sounds as if the Board is delegating the authority for Governor Sanford to do this, but that the Board cannot delegate away its responsibility. Senator Leatherman commented the Board can do anything it chooses. Mr. Eckstrom replied there is an irrefutable management principal that states that any entity where responsibility resides cannot delegate away that responsibility. Senator Leatherman further stated that he applauds Governor Sanford’s last comments and that he applauds the fact that Governor Sanford is attempting to bring some order to the chaos that might happen. He noted that Governor Sanford is right that next year is not going to be a good budget year.

Governor Sanford commented in further discussion that the scenario is down to just the trust fund accounts and custodial accounts, but cuts and inefficiencies should be considered as well. Senator Leatherman said that will be left up to Governor Sanford and the Executive Director. Mr. Fusco stated that there is the Rural Infrastructure Bank Trust Fund account where the term ‘trust’ is used, but it is not believed to be a trust fund because the law does not fully designate it as such. Mr. Eckstrom asked whether the account is account 3482 to which Mr. Fusco responded that it is. He also stated that he wanted to note for the record that he would not

include that as a trust fund at this time. Mr. Eckstrom asked whether that is because the account does not meet the accounting requirements. Mr. Fusco acknowledged that was correct and that the account does not have the thorough legal requirements that a true trust fund would have. Mr. Evans noted that the account has no indicia of a trust at all by itself. Senator Leatherman asked whether it was a custodial fund. Mr. Eckstrom said it is a special revenue account. Mr. Evans stated that it is a special revenue agency account. Mr. Chellis said once a special revenue account has been identified then there has to be legal authority to move it from there. Mr. Eckstrom said they are internally designated and the flexibility proviso does that. Senator Leatherman stated that would be up to Governor Sanford and Mr. Fusco. Mr. Fusco noted that the General Assembly provided two flexibility provisos. He said there is a presumption that they are legal and authoritative and that they would follow those guidelines. He said that is included in the Governor's veto message. Mr. Eckstrom said the presumption can be nothing less than that the two provisos are legally constructed. Mr. Fusco said that the executive branch has to presume that these provisos are constitutional. Mr. Eckstrom stated that must be presumed and that the executive branch does not have the authority to assume away the constitutionality of the provisos. Mr. Fusco further noted that this action is not without some legal risk and the Board members' staffs have been briefed on that. Mr. Eckstrom commented that nothing the Board does is without legal risk. Mr. Fusco reiterated that this is not without legal risk. Senator Leatherman noted that Governor Sanford and Mr. Fusco will have to determine what the legal risks are and how to address them. Mr. Eckstrom added that they will have to comply with the flexibility provisos. Mr. Fusco also commented that the legal risk is not black and white, but they will attempt to minimize the risk.

Mr. Gaskins stated that there needs to be clarity with regard to the definition of the terms "unrestricted" and "trust fund". Senator Leatherman said that is up to the Governor and the Executive Director.

Mr. Evans cautioned that legal advice should be given in confidence. He commented that the provisos establish the legislative authorization to transfer some of this money. He said the Governor and the Executive Director should be given the flexibility that those provisos provide. He said this resolution (motion) should be construed in that manner and if the Board intends to keep these critical functions funded then it should do so. Mr. Eckstrom stated that Proviso 89.87

says, in part, that in order to provide maximum flexibility in absorbing the general fund reductions mandated in the Appropriation Act agencies are authorized for fiscal year 2010-2011 to spend agency earmarked and restricted accounts designated as special revenue funds as defined in the Comptroller General's records to maintain critical programs previously funded with general fund appropriations. He said nearly all of the \$60 million that has been identified falls within that definition as he understands. Mr. Fusco commented that they will have to presume that the legislative purposes of the money in those accounts can be changed by virtue of these two provisos regardless of the efficiencies that are found and the cuts that are taken. Mr. Eckstrom said the Board is not asking to change anything. Mr. Fusco said there is a purpose for those monies in those accounts and the flexibility provisos allow a change for that purpose. Senator Leatherman further commented that Governor Sanford and Mr. Fusco will have the authority to look at the accounts and consider core functions of the Board and where to get the money to fund those core functions. Mr. Eckstrom stated that the motion should conform with the language of the flexibility proviso because the flexibility proviso directs that the accounts be defined one way and other terminology is used in the motion. He said the motion should be amended to comply with the terminology in the flexibility proviso. Senator Leatherman replied that the proviso is the law and supersedes any motion. Governor Sanford asked Mr. Evans if he was satisfied with that to which he responded that he was not. Mr. Fusco also stated that he has a problem with the term 'custodial'. Governor Sanford asked whether the proviso supersedes the motion. Mr. Evans said if that is the way the motion is amended. Mr. Eckstrom asked Mr. Cooper whether he would agree to amend the motion to conform to the language of the proviso. Senator Leatherman said he did not think there is any reason to do so because the proviso is the law and that supersedes any motion. Mr. Evans replied that the delegated authority to the Governor and the Executive Director is limited by the resolution (motion). He further stated that if the Board is going to continue funding some of these critical programs in which the veto reduced or eliminated their funding, then the provisos need to be used. He said it is known that there is not enough money in the operating accounts to do this. He said there is not enough money in any so-called efficiency to do this. Governor Sanford asked how the motion should be amended to do that. Mr. Evans said his suggestion is that the Governor and the Executive Director be given the authority to use the authority of the flexibility provisos for one-time, stop-

gap funding of these critical programs. Mr. Eckstrom again asked Mr. Cooper if he would agree to that amendment. Mr. Cooper agreed saying that he would not want anything done outside of the law. Mr. Eckstrom said the legal advice the Board has received is that the delegated authority has to be consistent with the provisos. Mr. Fusco summarized that the intent of this motion is to comply with the authority of the provisos. Mr. Evans indicated that that was fine and the Board is discussing what is to be delegated to the Governor and the Executive Director.

Upon a motion by Mr. Cooper, seconded by Senator Leatherman, in order to fund critical Board programs impacted by the sustained Governor's vetoes # 52, # 76, #83 and #88 of H.4657, the Board took the following action pursuant to Provisos 80A.38 and 89.87 of the 2010-2011 Appropriation Act:

- a. Authorized the Governor and Executive Director to determine which programs are critical to the Board's function and develop a plan to fund these programs making full use of the flexibility provisos;
- b. Authorized the Governor and Executive Director to designate the accounts from which funds will be drawn to fund these critical programs, so long as these accounts are not trust fund accounts as designated by the Comptroller General's Office;
- c. Authorized the Governor and Executive Director to determine the amount that will be transferred from these accounts and to make the necessary transfers;
- d. In order to promote transparency, directed that the plan be reduced to writing and posted in a conspicuous location on the Board's internet website and contain the endorsement of the Governor and the Executive Director; and,
- e. Directed that a plan containing the written endorsement of the Governor and the Executive Director will not require further action of the Board prior to execution

