MINUTES OF STATE BUDGET AND CONTROL BOARD MEETING

May 8, 2013 -- 9:00 A. M.

The Budget and Control Board (Board) met at 9:00 a.m. on Wednesday, May 8, 2013, in Room 252 in the Edgar A. Brown Building, with the following members in attendance:

Governor Nikki R. Haley, Chair;
Mr. Curtis M. Loftis, Jr., State Treasurer;
Mr. Richard Eckstrom, Comptroller General;
Senator Hugh K. Leatherman, Sr., Chairman, Senate Finance Committee; and
Representative W. Brian White, Chairman, Ways and Means Committee.

Also attending were Budget and Control Board Executive Director Marcia Adams; Chief of Staff Steve Elliott; Division Directors Les Boles, Jimmy Earley, Dianne Poston, Nolan Wiggins, and Sam Wilkins; General Counsel Paul Koch; Governor's Deputy Chief of Staff for Policy, Budget, and Cabinet Affairs Ted Pitts; Treasurer's Chief of Staff Bill Leidinger; Comptroller General's Chief of Staff James M. Holly; Senate Finance Committee Budget Director Mike Shealy; Ways and Means Committee Chief of Staff Beverly Smith; Board Secretary Delbert H. Singleton, Jr., and other Budget and Control Board staff.

Adoption of Agenda for Budget and Control Board

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

Minutes of Previous Meeting

Upon a motion by Mr. Eckstrom, seconded by Senator Leatherman, the Board approved the minutes of the March 5, 2013, Budget and Control Board meeting.

Blue Agenda

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

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

The Board approved the following notification of the assignment of bond counsel for conduit issues for which Board approval was requested:

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

Description of Issue	Agency/Institution (Borrower)	Borrower's Counsel	Issuer's Counsel
$6,550,000 SC JEDA	Langston Charter Middle School	Haynsworth Sinkler Boyd	Howell, Linkous & Nettles
$37,000,000 SC JEDA	CSRA Senior Living	Haynsworth Sinkler Boyd	Pope Zeigler

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

State Treasurer: Easements (Blue Agenda Item #2)

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

County Location:	York
From:	Budget and Control Board
To:	Howard Crawford
Consideration:	$1,180
Description/Purpose:	To grant a 0.034 acre permanent access easement along the southeastern property line of Kings Mountain State Park to Edge Park Road for the purpose of providing ingress and egress to landlocked property. The easement will address the issue of legal access to the adjacent landowner's property. Consideration is $500 plus the York County Assessor's land value.

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

County Location:	Pickens
From:	Department of Natural Resources
To:	Blue Ridge Electric Cooperative
Consideration:	In-kind services and partial release of existing easement
Description/Purpose:	To grant a 1.59 acre utility easement for the relocation, construction, operation and maintenance of existing overhead electric lines and facilities along Cleo Chapman Highway (S-39-100) and Roy Jones Road (S-39-143) within the Jocassee Gorges Natural Area. As consideration, Blue Ridge will relinquish 2.81 acres in existing easement area as well as remove an existing utility line at the future location of a DNR equipment shed on

Cleo Chapman Highway and provide service to the facility after it is constructed.

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

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

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

(a)	**Agency:**	**Budget and Control Board (Adjutant General)**
	Acreage:	2.03± acres
	Location:	301 Memorial Drive in Clover
	County:	York
	Purpose:	To transfer a surplus National Guard Armory to a political subdivision pursuant to Joint Resolution R6, H3180.
	Price/Transferred To:	N/A / Town of Clover
(b)	**Agency:**	**Winthrop University**
	Acreage:	2± acres and improvements consisting of an office building and 3 former hotel/student housing buildings, collectively known as the Winthrop Lodge
	Location:	331 Oakland Avenue, Rock Hill
	County:	York
	Purpose:	To dispose of surplus real property.
	Appraised Value:	$600,000 as of 6/15/12 *The estimated market value is prior to an allowance for demolition and remediation.
	Price/Transferred To:	$96,400 / Rock Hill School District Three
	Disposition of Proceeds:	To be retained by Winthrop University.
	Additional Information.	On February 23, 2010, the Board approved the sale of the Winthrop Lodge for not less than the appraised value which was $400,000 after reduction for demolition and remediation. A contract for the sale of the Winthrop Lodge was originally awarded to a developer who submitted the only bid as part of a competitive sealed bid process; however, the developer was ultimately unable to purchase the property. The updated appraised value of $600,000 after consideration for demolition and remediation is $96,400. Rock Hill School District Three has made an offer to purchase the property at the adjusted appraised value and the University feels it would be in its best interest to accept this offer as the condition of the buildings is rapidly deteriorating, thus, becoming a liability.

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

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

The Division of Procurement Services, in accord with Section 11-35-1210, audited the following agencies and recommends certification within the parameters described in the audit reports for the following limits (total potential purchase commitment whether single-or multi-year contracts are used):

a. Clemson University (for a period of three years): supplies and services, $2,000,000* per certification; information technology, $2,000,000* per commitment; consultant services, $2,000,000* per commitment; revenue generating management services, $15,000,000* per commitment; construction contract, $3,000,000 per commitment; construction contract change order, $500,000 per change order; architect/engineer contract amendment, $100,000 per amendment.

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

   The audit confirmed Clemson's Procurement Office has the internal controls and expertise to ensure compliance with applicable requirements of the South Carolina Consolidated Procurement Code and regulations for the certification levels requested. Clemson requested increases in its certification levels for supplies and services, information technology and consultant services with all other areas remaining the same.

b. Department of Disabilities and Special Needs (for a period of three years): pharmaceutical drugs, $1,000,000* per commitment; pharmaceutical services, $1,000,000* per commitment; supplies and services, $250,000* per commitment; consultant services, $250,000* per commitment; information technology, $100,000* 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.

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

   The audit confirmed the South Carolina Department of Disabilities and Special Needs' Procurement Office has the internal controls and expertise to ensure compliance with applicable requirements for the certifications. The Department requested an increase in its construction contract award with all other areas remaining the same.

c. Department of Mental Health (for a period of three years): supplies and services, $250,000* per commitment; consultant/contractual services, 500,000* per commitment; construction services, $100,000 per commitment; construction contract change order, $100,000 per change order; architect/engineer contract amendment, $15,000 per amendment.

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

The audit confirmed the South Carolina Department of Mental Health's Procurement Office has the internal controls and expertise to ensure compliance with applicable requirements for the certifications. The Department requested its certification levels to remain the same.

In accord with Section 11-35-1210, the Board granted the following procurement certification within parameters described in the audit reports for the following limits (total potential purchase commitment whether single-or multi- year contracts are used) for the following agencies:

a. Clemson University (for a period of three years): supplies and services, $2,000,000* per certification; information technology, $2,000,000* per commitment; consultant services, $2,000,000* per commitment; revenue generating management services, $15,000,000* per commitment; construction contract, $3,000,000 per commitment; construction contract change order, $500,000 per change order; architect/engineer contract amendment, $100,000 per amendment.

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

b. Department of Disabilities and Special Needs (for a period of three years): pharmaceutical drugs, $1,000,000* per commitment; pharmaceutical services, $1,000,000* per commitment; supplies and services, $250,000* per commitment; consultant services, $250,000* per commitment; information technology, $100,000* 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.

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

c. Department of Mental Health (for a period of three years): supplies and services, $250,000* per commitment; consultant/contractual services, 500,000* per commitment; construction services, $100,000 per commitment; construction contract change order, $100,000 per change order; architect/engineer contract amendment, $15,000 per amendment.

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

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

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

The Board approved the following proposals to issue revenue bonds:

a. Issuing Authority: College of Charleston
Amount of Issue: Not Exceeding $40,000,000 Higher Education Facilities Revenue Bonds, Series 2013A and Academic and Administrative Facilities Revenue Bonds, Series 2013B
Allocation Needed: -0-
Name of Project: College of Charleston
Employment Impact: n/a
Project Description: Not Exceeding $40,000,000 Higher Education Facilities Revenue Bonds, Series 2013A and Academic and Administrative Facilities Revenue Bonds, Series 2013B (refunding involved)
Note: *private placement, negotiated sale or public sale*
Bond Counsel: Rion D. Foley, McNair Law Firm, P. A.
(Exhibit 5)

b. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: Not Exceeding $6,550,000 Economic Development Revenue Bonds ($5,825,000 refunding involved)
Allocation Needed: -0-
Name of Project: Langston Foundation, Inc. & Langston Charter Middle School, Inc.
Employment Impact: maintain 31 jobs (Foundation and Charter School)
Project Description: acquire, construct, renovate, improve and equip facilities of Charter School and refund a taxable note used to acquire present facilities of the Charter School
Note: *private sale*
Bond Counsel: Kathleen Crum McKinney, Haynsworth Sinkler Boyd, P. A.
(Exhibit 6)

c. Issuing Authority: State Housing Finance and Development Authority

Amount of Issue:	Not Exceeding $5,100,000 Multifamily Rental Housing Revenue Bonds
Allocation Needed:	$5,100,000 (will use carryforward allocation)
Name of Project:	Companion at Lee's Crossing Phase II, LP
Employment Impact:	200+
Project Description:	96 units consisting of 12 one-bedroom, 42 two-bedroom, and 42 three-bedroom units
Bond Counsel:	Ray E. Jones, Parker Poe Adams & Bernstein LLP
(Exhibit 7)	

d.

Issuing Authority:	State Housing Finance and Development Authority
Amount of Issue:	Not Exceeding $6,000,000 Multifamily Housing Revenue Bonds
Allocation Needed:	-0-
Name of Project:	Crescent Landing Apartments project
Employment Impact:	n/a
Project Description:	to finance the acquisition and rehabilitation of a 175-unit apartment development located in Greenville County
Bond Counsel:	Samuel W. Howell, IV, Howell Linkous & Nettles, LLC
(Exhibit 8)	

South Carolina Second Injury Fund: Plan for Closure of Second Injury Fund (Regular #1)

The Second Injury Fund is a component of the South Carolina Workers' Compensation System, which reimburses insurance carriers and employers for workers' compensation benefits paid to employees who suffer a work-related disability that is of greater severity because it adds to or combines with a previous disability. South Carolina's Second Injury Fund law, like that of other states, was originally designed to encourage employers to hire or retain workers with pre-existing disabilities or conditions while furnishing economic relief to those employers should a subsequent injury occur to that worker.

Reimbursements are made in accordance with statutory criteria and schedules. The program determines if an injury is a qualifying second injury, defends its decision before the Workers' Compensation Commission and in court as needed, verifies claims for reimbursement and reimburses employers and carriers as appropriate.

Funding for reimbursement is generated from an equitable assessment levied upon each workers' compensation insurer, employers who choose to self-insure their workers' compensation exposure, and the State Accident Fund, which provides state agencies and some municipalities and counties their workers' compensation coverage. Each fiscal year the program calculates the assessment according to a statutorily prescribed formula and then invoices, monitors and collects the assessment.

Presently the formula funds the Second Injury Fund at 135% of the Fund's disbursements during the preceding fiscal year. Workers' compensation insurers, self-insurers and the State Accident Fund are then charged an assessment set at a level to generate 135% funding net of any remaining Fund balance. The assessment charged workers' compensation insurers, self-insurers and the State Accident Fund is based, in essence, on their relative share of all workers' compensation losses paid in the preceding year.

The state agency administering this program, the Second Injury Fund, is scheduled to terminate on July 1, 2013. To close the program, the Board is charged by law with: (a) determining a mechanism for paying any of the program's liabilities remaining as of July 1, 2013 and (b) providing staff to administer the remaining obligations as long as staff services are required.

Through a competitive procurement, an actuarial firm, KPMG, was selected to project the amount of these liabilities and when they will accrue, as well as to develop and analyze options for satisfying them. In accordance with the engagement, KPMG issued its report, which is attached. KPMG's liability estimates are based on claims data evaluated as of November 30, 2012, as provided by the Second Injury Fund, and additional information provided through February 7, 2013. In summary, KPMG estimates $346,316,000 in liabilities will remain unpaid as of June 30, 2013, when the Second Injury Fund terminates. KPMG also estimates the Fund will have a cash balance of $91,673,000 at June 30, 2013, leaving an unfunded liability of $254,643,000. The $91,673,000 cash balance includes approximately $27,900,000 the Fund collects beginning March 2013 as the second installment of FY2013 assessments.

Using these estimates, KPMG evaluated six options for paying the unfunded liabilities. The six options are:

1. Continued Assessment – maintain the current annual assessment structure. This option would require assessments at low levels for medical through 2048.

2. Three-Year Accelerated Assessment – assess $100 million per year for the next three years. With the fund balance at June 30, 2013, this is expected to be sufficient to build an asset large enough to pay off the remaining liabilities, assuming continued investment income. A $100 million assessment would be similar in size to assessment levels over the past five years.

3. Five-Year Accelerated Assessment – assess $60 million per year for the next five years. Similar to the three-year method above, this builds a sufficiently large asset to pay all reimbursements, but with a smaller assessment in each year and a lower asset balance in earlier years.

4. Fixed Percentage Accelerated Assessment – assess 5% of the normalized premium per year until sufficient funds are accrued to fund the remaining liabilities. Based upon recent experience, assessment at this level is estimated to generate between $50 and $55 million per year and require five years before accruing an asset large enough to pay all reimbursements.

5. Negotiated Settlement and Assessment – establish an independent commission or facility to reach a lump sum settlement amount for all remaining claims with each carrier and self-insured with open claims accepted by the Fund, within a given period of six to twelve months. Once settlement values are determined, use those amounts as the basis of a final assessment, and make payments for all negotiated settlements. If agreement on a settlement value cannot be reached within the time period, the claim reimbursement process would continue in its current method. This plan could significantly accelerate the payment and closure of claims accepted by the fund, but may not extinguish the entire liability.

6. Purchase Commercial Reinsurance – transfer loss obligations that are already incurred and will ultimately be paid to a reinsurer for a premium. In determining the premium to be paid the reinsurer, the time value of money is considered so the premium is less than the ultimate amount expected to be paid for the loss obligations. The state could use the transfer to meet the remaining obligations without the need to continue day to day management of claims. This plan immediately requires sufficient cash on hand to fund the present value of the liability and also compensate the reinsurer for profit and assuming the risk that losses will deviate from projections. The administrative cost to the state is also high for supplying data to a reinsurer or broker to determine its premium. Finally, a reinsurer may want to limit the maximum loss it will assume, so that responsibility to the liability may not be entirely extinguished.

Because numerous alternatives exist for satisfying the liabilities remaining at July 1, 2013, the Second Injury Fund formed a focus group for the purpose of determining if consensus could be achieved around a single approach. The eleven-member focus group was comprised of representatives of workers' compensation insurers, employers who self-insure their workers' compensation risk, the State Accident Fund, which insures state agencies and some local governments, the SC Workers' Compensation Commission, and the SC Department of Insurance.

The meeting was facilitated by an experienced, independent facilitator. Votes were not taken, but after a presentation by KPMG of its estimates, consideration of options, and three hours of group discussion, a consensus emerged. The focus group's consensus was that the remaining liabilities of the fund should be addressed by assessing those currently required by SC Code §42-7-310 to pay a Second Injury Fund assessment (all workers' compensation insurance carriers, workers' compensation self-insurers, and the State Accident Fund) with the assessment set at a level to generate $60 million each of the next five fiscal years.

The share of the $60 million to be paid by each workers' compensation insurance carrier, workers' compensation self-insurer, and the State Accident Fund would be based upon the present formula established by SC Code §42-7-310. Each would pay an amount equal to that proportion of $60 million, which the normalized premium of each carrier, self-insurer, and State Accident Fund bears to the normalized premium of all during the preceding calendar year.

A consensus also formed that one or more subsequent actuarial valuations of the claim liabilities and funding should be conducted to ensure adequate funds were being generated to pay the liabilities and to determine when and if sufficient funds existed to pay a third party to assume liability for the remaining loss obligations and their administration.

The group's consensus was largely driven by:

1. insufficient ending cash at July 1, 2013, to engage a third party to assume the liabilities;
2. concern claims data was not sufficiently settled at this time, so as to warrant another actuarial valuation when claims expense has developed more fully;
3. need to provide additional funds to address the unfunded liability;
4. preference for greater predictability regarding the assessment; and
5. assessment at an aggregate level that is 40% less than recent years' assessments.

If and until the liabilities can be ceded to a third party, the group wanted claims and assessment administration handled efficiently. The general consensus was that a state entity could provide that service most economically at this time. A specific state agency or staff was not identified.

In addition to the responsibilities described above, the Second Injury Fund presently administers the Uninsured Employers' Fund (UEF), which was created to ensure payment of workers' compensation benefits to employees injured on the job while working for an employer who did not maintain the statutorily required workers' compensation coverage. Even though the

Second Injury Fund terminates June 30, 2013, the UEF continues as an ongoing program within the State Accident Fund. South Carolina Code Section 42-7-200 establishes the UEF within the State Accident Fund effective July 1, 2013 and transfers to it, in accordance with the Board's plan for closure of the Second Injury Fund, all the associated Second Injury Fund employees, funds, property and contractual rights and obligations.

Upon a motion by Mr. Eckstrom, seconded by Senator Leatherman, the Board provided for the orderly winding down of the affairs of the Second Injury Fund, as required by SC Code §42-7-320, by adopting the proposed closure plan, which provides for: (a) paying the liabilities of the Fund remaining at July 1, 2013; using an accelerated assessment totaling $60,000,000 each fiscal year for the next five fiscal years; (b) each workers' compensation insurer, employer self-insuring its workers' compensation liabilities, and the State Accident Fund paying its share of the aggregate $60,000,000 assessment based upon workers' compensation normalized premiums during the preceding calendar year, as is currently done; (c) additional actuarial valuations of the Fund's remaining liabilities based on data as of June 30,2014, and at such other times as the Director of the Budget and Control Board or designee determines appropriate but not later than bi-annually, so as to determine if any adjustments to the assessment are required and whether other, more expeditious and cost effective options are viable for satisfying remaining liabilities at that time; and (d) administration and oversight of assessments, claims reimbursement and related activity by the Budget and Control Board using appropriate staff, whose salaries, benefits, and operating expenses are paid from the Second Injury Fund. The proposed plan also references the Second Injury Fund positions which include duties associated with the Uninsured Employers' Fund and are transferred July 1, 2013, to the Uninsured Employers' Fund within the State Accident Fund by SC Code Section 42-7-20.

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

Governor's Office: Request for Proposals for Identity Theft Protection Service (Regular #2)

The Board was requested to authorize and direct the Executive Director and the Procurement Services Division to develop a request for proposals (RFP) for identity theft protection services, to include identity theft resolution services to the extent resolution services are not otherwise included in protection services. In developing the RFP, the Executive Director and the Procurement Services Division should consider, among other things, the inclusion of terms to provide for:

1) A multi-year contract term, not to exceed five years.

2) A request that offerors provide, to the extent permissible, a process to effectuate the transfer of individuals receiving credit monitoring services under the Department of Revenue's current credit monitoring agreement to an awarded contract for identity theft protection services.

3) A request that offerors provide, to the extent permissible, a process to effectuate the efficient enrollment of participants, which may include a mechanism to enable the Department of Revenue to enroll participants in identity theft protection services rather than requiring participants to engage in all such enrollment activities.

Upon completion of the development of the RFP, the Executive Director shall report to the Board. The RFP would be issued upon approval of the Board and subject to the availability of funds authorized for this purpose. The RFP would be conducted pursuant to the South Carolina Consolidated Procurement Code.

Senator Leatherman asked if the State was going to offer the citizens some protection rather than informing them when something occurs. Governor Haley commented that regardless of which body ends up with the RFP it needs to go out. Senator Leatherman asked what the RFP will solicit. Governor Haley said the RFP will be a monitoring service to provide the most security in protecting the State's citizens. Senator Leatherman said his question is whether monitoring is going to be the focus or will the RFP seek to provide more protection. Governor Haley responded that the companies will be competitive and provide more than monitoring. Senator Leatherman asked if the RFP will ask for additional protection or just monitoring. Governor Haley commented that the State should do what is necessary to get the most protection possible.

Mr. Eckstrom asked if identity theft protection services are services that will alert individuals that an attempt has been made against their record or does it go beyond that. He also asked whether there will be resolution services provided if there is a breach on an individual's identity. Governor Haley responded that she would like to see the State look at anything possible for protection in a competitive process to ensure a competitive rate. Mr. Eckstrom said the question is whether the RFP will require that the vendor chosen will help a "credit owner" resolve issues if there is a breach with their identity. Governor Haley commented that when her office looked at the issue all of the credit companies provide resolution services and not just notification. She said that Experian, for example, provides one million dollars in insurance and they hold one's hand through the process of resolving those issues. Governor Haley said the State is looking for credit resolution and monitoring. She also noted that all of the accounts involved have been flagged with the banks.

Upon a motion by Mr. White, seconded by Mr. Loftis, the Board authorized and directed the Board's Executive Director and the Procurement Services Division to develop a request for proposals (RFP) for identity theft protection services, to include identity theft resolution services to the extent resolution services are not otherwise included in protection services. In developing the RFP, the Executive Director and the Procurement Services Division should consider, among other things, the inclusion of terms to provide for:

1) A multi-year contract term, not to exceed five years.

2) A request that offerors provide, to the extent permissible, a process to effectuate the transfer of individuals receiving credit monitoring services under the Department of Revenue's current credit monitoring agreement to an awarded contract for identity theft protection services.

3) A request that offerors provide, to the extent permissible, a process to effectuate the efficient enrollment of participants, which may include a mechanism to enable the Department of Revenue to enroll participants in identity theft protection services rather than requiring participants to engage in all such enrollment activities.

Upon completion of the development of the RFP, the Executive Director shall report to the Board. The RFP will be issued upon approval of the Board and subject to the availability of funds authorized for this purpose. The RFP will be conducted pursuant to the South Carolina Consolidated Procurement Code.

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

Division of State Information Technology: Presentation of Deloitte and Touche, LLP, Interim Recommendations (Regular Session Item #3)

Deloitte and Touche, LLP (Deloitte), provided a presentation on the interim recommendations for the Statewide Information Security project awarded on March 22, 2013.

Representatives of Deloitte and Touche, LLP (Deloitte), appeared before the Board and presented their interim recommendations for the Statewide Information Security project awarded on March 22, 2013. Appearing before the Board on behalf of Deloitte were Srini Subramanian (Principal, Security & Privacy Services) and Mike Wyatt (Director of Security & Privacy Services). A copy of the presentation that was made by the Deloitte representatives is attached and incorporated in these minutes herein by reference.

As part of the presentation, Mr. Wyatt briefed the Board on Deloitte's security assessment approach and its observations of South Carolina's decentralized technology and information security governance structure and its challenges. He informed the Board that based on their assessment work and looking at the organizational challenges Deloitte took the approach to come up with the right organizational structure for the State. He advised the Board that there are foundational elements of an information security program that includes privacy, information security, and technology and security operations. He stated that as the program is being built it is critical that these three functions work together and collaborate closely. Mr. Eckstrom asked if information security and technology security are separate functions. Mr. Wyatt responded yes and he said there needs to be autonomy for privacy, information security, and information technology. He said the reason for autonomy is that the information security function needs to assess the security posture of the IT organization. He said that when information security is under IT then it is tough to be independent. He said the same is similar for privacy in that it needs to challenge information security as to what needs to be protected and why.

With regard to the decentralized situation the State currently uses, Mr. Wyatt said that often there is a desire for centralized control. Mr. Wyatt commented that it is very difficult to overlay a centralized model on top of an organization that is highly decentralized in their mission and current function. He advised the Board that a federated model is the best approach for the State.

Mr. Subramanian stated that it will be very difficult to go from a decentralized model to a centralized model and be effective in implementing the security controls. He said Deloitte is, therefore, recommending a federated approach. He noted that the federated model is not without its disadvantages. He said their studies of other states indicate 50% of them had a federated model of security governance and that the chief information security officers in those states highlighted a number of challenges with the federated model. He said they are recommending a federated model with a degree of authority and agency involvement to make the information security program more effective. He stated that they are recommending a way for the chief information security officer (CISO) to independently assess an agency's risks on a periodic basis which will give them an idea of how well policies are being implemented and enforced. He commented that the federated model will only work when the agencies participate closely in setting up the policy. He said as part of the operating model they are recommending a governance with close agency participation at multiple levels including the agency director level, the information security officer at the agency level, and agency security workforce level so there is a community of security workforce to operate together to make the model effective.

Mr. Wyatt advised the Board that based upon their research they have developed a road map with three key phases. He said the first phase is to build a foundation beginning in FY 2014 in twelve to eighteen months. He said the second phase is to evolve from building on the initial foundation and the third phase is to extend to ultimately leading in class within five years.

Mr. Eckstrom asked what the likelihood was of the interim recommendations being overridden in the next few months. Mr. Wyatt said that while some agencies may have a better security posture than others, they do not believe the recommendations will change substantially. Mr. Subramanian added that because of the way the contract is structured they wanted to provide the structural operational model recommendations first and that the subsequent work consists of agency assessments and writing the agency security policies. Governor Haley commented that this is why she has been fighting for a Department of Administration to pull all of the operations under one umbrella so that the agencies will not be so decentralized. She commented that more efficiency will be gained by putting this under one umbrella.

Governor Haley asked Mr. Subramanian and Mr. Wyatt about the good things their review showed that the State is doing and should continue to do. Mr. Wyatt noted that one agency has already rolled out two-factor authentication for all employees' access in that agency.

He said that is a great leading practice. He said that agencies that deal with HIPAA requirements had policies in place and the policies were being followed. Governor Haley also asked whether Deloitte worked with the Inspector General in this process. Mr. Wyatt said they read the Inspector General's report, but they have operated autonomously. Governor Haley asked Mr. Wyatt if he thought the Inspector General's report was in sync with where Deloitte is going or if the report is separate. Mr. Wyatt said a review of the Inspector General's report revealed that the leading practices that were recommended were in line with their recommendations. Mr. Subramanian noted that the operating model recommended in the Inspector General's report is a federated model as well. He also noted that the Inspector General is a part of the executive steering team and has been participating in the process.

Mr. Eckstrom asked if the recommendations include specific areas for ongoing training and if the recommendations will require personnel with certification that the State does not presently have. Mr. Wyatt said there is specific guidance on the types of training that will be most effective. Mr. Eckstrom asked if the cost of certified personnel were built into Deloitte's budget projections. Mr. Wyatt said the cost estimate for the enterprise organization includes an assumption that there will be appropriate qualifications and he stated they have provided guidance for the types of qualifications that will be appropriate for those certifications. Mr. Subramanian added that qualifications for certification needed to be added to work force development.

Mr. Loftis asked if agencies that are not on modern finance systems are considered exposure points and if they are most vulnerable to cyber-attacks and other failures. Mr. Wyatt said for those legacy systems that cannot be upgraded there are compensating controls that can be put in place to provide protections for those systems. He said no state can go through a renewal of all of their systems in a period of a year or two. Mr. Eckstrom asked if those controls tended to be detective controls as opposed to preventive controls. Mr. Wyatt said that a number of the controls are preventative and detective that can be used in lieu of the core controls that one would like to see.

Governor Haley asked if the State followed the recommendations whether this would make the State one of the strongest with regard to protection. Mr. Wyatt said following the recommendations would greatly improve the security posture of the State and give the State the opportunity to lead from the front on this area.

The Board received as information interim recommendations from Deloitte and Touche, LLP, regarding the Statewide Information Security project awarded on March 22, 2013.

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

Division of General Services: Patriots Point Development Authority Lease-out to The Medal of Honor (MOH) Museum Foundation, LLC (Regular Session Item #4)

The Medal of Honor Museum is currently located on the Carrier USS Yorktown at Patriots Point, and The Medal of Honor Museum Foundation is seeking to build a permanent structure for housing the Medal of Honor Museum on the Patriots Point property while the stories of the 81 surviving Medal of Honor recipients can still be collected.

The Patriots Point Naval and Maritime Museum Foundation, which supports the Naval and Maritime Museum at Patriots Point, previously paid for and obtained various studies associated with the development of approximately 36 acres at Patriots Point.

The Medal of Honor Museum Foundation is seeking to lease (under a lease agreement for the Museum Parcel and an Option and Lease Agreement for the Commercial Parcel) approximately 14 acres of waterfront property at Patriots Point, of which approximately 7 acres ("Museum Parcel") will be used for the Medal of Honor Museum and approximately 7 acres ("Commercial Parcel") will be subleased for commercial mixed use development to provide funds to support the Medal of Honor Museum and The Medal of Honor Museum Foundation. The Medal of Honor Museum Foundation is a new South Carolina non-profit corporation taking the place of the MOH Museum Foundation, LLC. The Town of Mt. Pleasant Town Council has resolved to spend approximately $2,000,000 to relocate a portion of Patriots Point Road to allow the existing road bed to be added to Patriots Point land to create the approximately 14 acres. The exact size and configuration of the two parcels and the road will not be known until the engineering is completed.

The terms of the Museum Parcel Lease are as follows:

- The lease will commence on July 1, 2013 and expire on June 30, 2113.
- Rent will be $1.00 per year.
- Before the First Anniversary of Commencement Date, the Tenant must qualify as

a 501(c)(3) organization and must have engaged personnel to raise five million dollars ($5,000,000).

- Before the last day of the eighteenth month (including the month of the Commencement Date) following the Commencement Date of the Lease, five million dollars ($5,000,000) shall have been raised in cash or in verifiable commitments.
- Before the Second Anniversary of the Commencement Date, the Tenant must have implemented a capital campaign to raise $125 million or another appropriate amount and have completed detailed plans for the Medal of Honor Museum.
- Before the Seventh Anniversary of the Commencement Date, the Tenant must have completed the capital campaign, have the funds available for construction of the Medal of Honor Museum, and have "Commenced Construction" of the Medal of Honor (MOH) Museum.
- Before the Tenth Anniversary of the Commencement Date, the Tenant must have completed construction and be operational.

The terms of the Commercial Parcel Option and Lease are as follows:

- The Option and Lease will commence on July 1, 2013 and expire on June 30, 2113. From the Commencement Date of the Option and Lease to the Seventh Anniversary of the Commencement Date, Tenant has the option to lease the MOH Commercial Parcel. If the MOH Museum Parcel Lease is terminated before the option is exercised, the option terminates. If the option has not been exercised by the 7th anniversary of the Commencement Date, the option terminates.

- For the first ten years from the Commencement Date, Tenant shall pay the sum of Base Rent and Percentage Rent. For each Lease Year commencing after June 30, 2023, the rent to be paid by the Tenant is the greater of (i) the sum of Base Rent and Percentage Rent, or (ii) Fair Market Rent. If the option is exercised and the MOH Commercial Parcel is not fully developed by July 1, 2023, Fair Market Rent commences for the entire parcel.

- The Base Rent for the first Lease Year is 60% of the Tenant's annual projected rent revenues to Landlord for the first full year after the improvements to be constructed are completed and operational, or the first full year after the first phase of improvements to be constructed is completed and operational, as applicable. For the second and each subsequent Lease Year, Base Rent is 60% of the sum of Base Rent and Percentage Rent paid or payable during the previous Lease Year. Base Rent never decreases and can be redetermined for the fifty-first Lease Year.

- Percentage Rent commences as phases are developed and kicks in for each phase after that phase's deadline for completion. Percentage Rent is based on varying percentages of Tenant's different income streams from the MOH Commercial Development. Percentage Rent is calculated after each Lease Year and the difference between Percentage Rent and Base Rent must be paid by Tenant to Landlord. Base Rent never decreases.

- Fair Market Rent for the Premises is determined within 6 months of the Commencement Date by agreement or by the appraisal process set forth. Fair Market Rent increases each Lease Year by 3%. These increases occur regardless of whether Tenant has exercised its option with regard to the MOH Commercial Parcel. The Fair Market Rent determined in 2013 will be increased by 3% each year so that when Fair Market Rent begins in the eleventh Lease Year it will have increased 3% in each of ten Lease Years.

- The Lease requires the Tenant to go through a master planning process to ensure that the Tenant constructs what the Tenant contractually commits to construct and that the Authority is satisfied with the design and is limited to the Medal of Honor Museum, a conference center, hotels, general retail, restaurants and other entertainment, a parking facility, office, and uses related to any of the foregoing.

- Construction plans must be approved by the Landlord and Tenant must Commence Construction of the improvements to be constructed on the Premises by the eighth (8th) anniversary of the Commencement Date of this Lease. If Tenant does not elect to use phases, all improvements must be completed within 36 months of Commencement of Construction. If the Tenant elects to use phases, then the first phase of development would have to Commence Construction by July 1, 2021, and the next phase would have to commence construction by July 1, 2023, and the next by July 1, 2025, and so on. Each phase must be complete and operational within 36 months of Commencement of Construction. For phases 1, 2 and 3, this would be July 1, 2024, July 1, 2026, and July 1, 2028. If Tenant does not elect to use phases, then Tenant must Commence Construction by July 1, 2021, and complete construction by July 1, 2024.

- Patriots Point is providing the lease of the Museum Parcel to The Medal of Honor Museum Foundation at nominal rent to support the development of a new museum complex that will provide significant cultural and educational resources to the citizens and children of South Carolina, will enhance overall visitor traffic (estimated to be an additional 250,000 people per year) and thus revenue to the Patriots Point attractions (including the Yorktown) and will increase the lease value of Patriots Point's other developable and developed property to existing and potential developers of property at Patriots Point.

Appearing before the Board on this matter were Patriots Point Authority Chairman, Ray Chandler, and its Director, Mac Burdette. Mr. Chandler provided an overview of the Authority's request to the Board. He noted that this is the first lease opportunity that the Authority has had in some significant time. He said that while their present tenants are upgrading and expanding the properties they have, the Authority has not had significant opportunities to lease property in the current economy. Mr. Chandler said that because of the Authority's mission as an historical, educational, and military museum the component of a Medal of Honor Museum fits uniquely with the Authority. He noted the museum would be the only designated national Medal of Honor Museum and would make the State unique in having such a museum. He further noted that the time constraint on this is important because there are 86 living Medal of Honor Society recipients and that when that number gets to 25 it dissolves. He said there has been a degree of urgency over the last eighteen months to two years, but that these things take time. He noted the efforts that the Medal of Honor Society has put forth in developing the museum concept. He stated that the Foundation is dedicated to the property in question (Parcel A) and has hired one of the best destination planning firms in the United States. Mr. Chandler noted that the Museum would attract an extra 150,000 to 200,000 people to Patriots Point. He said the concept in adopting the lease is to change Patriots Point from an attraction to a destination.

In further comments made to the Board, Mr. Chandler stated that the land in question is not land the Authority could lease to a commercial developer. He stated that a road runs through 25% of the land. He stated the Authority was able to persuade the Town of Mt. Pleasant to commit between \$2 million and \$2.5 million to move the road and they convinced the College of Charleston to give up some of its parking spaces to assist in moving the road. He said by doing so this will create seven acres of viable property. He noted that the commercial area (Parcel B) may pose some trouble for the Board members from a business standpoint. He noted the question is why give the Museum a lease of seven acres for one dollar a year for almost 100 years. He said the reason is that museums have problems sustaining themselves. He said another reason is that no one has wanted to lease the property until now. Mr. Chandler stated that the commercial lease has to be tied to the development of the Museum. He said once the Museum stands alone a developer will come in and develop the commercial portion. He said an option was put in for the Museum to option out over a period of years to take the second portion. He said the intent of the lease is for there to be an option to exercise, to take over and begin paying the money on the commercial part. Mr. Chandler continued by saying there appears to be a conflict in the lease because the language starts the valuation of the commercial part in 2013. He said the option cannot be exercised until 2023 timeframe.

After further discussion, Mr. Eckstrom raised concerns about giving up the property to a non-state entity for nearly 100 years. He said while the State would receive some benefit, the benefit is split between the Foundation and the State. He further asked why is it important to have the Foundation involved in the development of Parcel B and he is concerned that what constitutes the Foundation is thinly populated. Mr. Chandler said the Foundation will be thinly populated at the start and that over the next three to five years the Foundation will become a national board. He noted the model for the Museum is the same as used for Gettysburg. He conceded that one looking at this proposal from the outside will find this transaction a little murky. He said this is a unique brand of development, but that it has been tried and tested in other places, it works, and the Authority has the people who have done it before signed on to this project.

Mr. Eckstrom noted that Parcel A could have commercial development as well but provides for no rent sharing with the Authority. He asked Mr. Chandler to explain why the State only benefits from the Parcel B development. Mr. Chandler stated that it concerns the sustainability of the Museum. He said looking at the paradigm of the WWII Museum it has an interior high-end restaurant that one gets into only after buying a ticket and it has a 1940s café that anyone can go in. He stated that revenue from the public restaurant goes to the State and the revenue from the other goes to the WWII Museum.

Mr. Eckstrom further asked if the agreement could be written that once cost is met in a given year the benefit goes back to the State as opposed to freezing the State out of any benefit from Parcel A and limiting the Museum's benefit to 60% of the rent revenues on Parcel B. He said the lease does not address what happens when excess revenue is generated and by not addressing that under the current structure there will not be any revenue sharing with the State. Mr. Chandler said the developers of the project say the plan they have agreed to is the best plan. He said the thing that is being missed is the overflow of people coming to Patriots Point as a destination that would not ordinarily be experienced. He said that if 300,000 people come into the area, as opposed to the 150,000 people that come now, that will be a $75 million dollar economic impact. Mr. Eckstrom noted that just as the Authority will benefit because of the Museum's presence the Foundation benefits from the Yorktown's presence. He said the attraction will be successful because of the Authority and the military museum are already present.

Senator Leatherman asked Mr. Chandler what happens to the land if the development plans for Parcel A and Parcel B are not successful. Mr. Chandler said the Museum will be successful. He said if the Foundation does not exercise the option on Parcel B the Authority will have the right to develop the property. He said if the Museum is not successful in raising money up to the $5 million mark provided for in the lease, the road would already have been moved, the Foundation will walk away, and the Authority will gain $2.2 million worth of land, and the gift of $2.5 million from the Town of Mt. Pleasant for moving the road. He said the Authority will have a $5 million benefit and will be able to lease land that is not leasable now. Senator Leatherman asked if there are any encumbrances on Parcels A and B to which Mr. Chandler responded there were none.

Mr. Loftis commented in his view moving the road is a nonbinding commitment and it is not known whether the road will ever be moved. Mr. Chandler said the Town has made the commitment to move the road provided the Medal of Honor Museum goes on the property and the $5 million mark is met. Mr. Burdette commented that the Town has already invested over $250,000 in the design of the new road. He said the Town has already made the commitment. Mr. Loftis said the legal documents he read said the commitment is nonbinding. Mr. Chandler said that at this point it is a nonbinding commitment. Mr. Loftis further asked if the value of the concessions from Patriots Point counts toward the $5 million the Museum has to raise. Mr. Chandler said that it did not. Mr. Loftis also asked if the Parcel B property can be sublet now. Mr. Chandler responded that it cannot be sublet now because the Museum would have to exercise its option and the Authority has the authority to approve the master plan for the property. He said the Museum will only be able to put something on the property consistent with Patriots Point's master plan. Mr. Loftis asked if there is anything in the lease that would prevent a business like Wal-Mart from being located on the property. Mr. Chandler said the Authority will not allow a Wal-Mart or Hooters to be placed on the property. Mr. Loftis said he does not see anything in the lease to prevent a sublease from allowing a Wal-Mart to be placed on the property. He said that the documents reveal a lot of uncertainty about the lease.

Mr. Eckstrom asked what the source of the lease payments would be for the Museum before construction is complete. Mr. Chandler said the payments would come from Foundation funds. Mr. Eckstrom said there is no Foundation.

Mr. Loftis said there appears to be a lot of bankable, excess money and he wanted to know what restrictions have been placed on it. He said for him the value is not the Museum, but the subdivided property and its bankable value.

In further discussion, Mr. Eckstrom said there are issues in the documents that are ambiguous. Mr. Chandler said he does not believe that the documents have a material inconsistency. Mr. Eckstrom said the Board should make sure that the documents have all the ambiguity removed from them. He said if it can be projected that there will be disagreement over specific clauses and provisions in the lease those should be addressed on the front end. Mr. Chandler said that this matter has been staffed to the greatest extent and that the agreement the Board has before it is the best that it is going to be.

Mr. Eckstrom further asked why the lease on the commercial parcel allows for review of the rent paid after 50 years. Mr. Chandler said that he did not know and that that was part of the negotiations. Mr. Chandler also pointed out that this is the only offer that anyone has made on this land in 28 years.

Mr. Eckstrom said that he does not think there is disagreement whether to pursue the project. He said the issue is how that should be done. He asked Mr. Chandler if he would be willing to give the Board members the opportunity to get questions to him about the lease documents and come back to the Board at its June meeting with perfected lease documents that would alleviate the Board members' concerns. Mr. Chandler commented that they have fully staffed this matter and have spent approximately $25,000 in remedial staffing of questions and answers and that he is not sure there will be a resolution to the concerns raised. He said he is present to get the matter done and he will do it the way he is told to do so.

Senator Leatherman commented that he has looked at the business plan and believes it to be a solid business plan. He said he has thought this through and at the appropriate time he will vote for the item.

Upon a motion by Mr. White, seconded by Senator Leatherman, the Board, as requested by Patriots Point Development Authority, approved the proposed Museum Parcel Lease and the Commercial Parcel Option and Lease by Patriots Point Development Authority to The Medal of Honor Museum Foundation. Governor Haley, Senator Leatherman, and Mr. White voted for the item. Mr. Loftis and Mr. Eckstrom voted against the item.

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

Patriots Point Development Authority: Extension Request for Repayment of $8,700,000 Loan (Regular Session Item #5)

The Patriots Point Development Authority requested the Board to approve an extension and repayment plan on the repayment of an $8,700,000 intergovernmental loan the Board made to the Authority in June, 2009, and extended in May, 2011. The purpose of the loan was to make emergency repairs to the destroyer USS Laffey (DD724). Repayment of the original loan was due on December 1, 2010, and repayment under the extension was due on May 1, 2013.

The Office of State Treasurer advised that the Bond Proceeds Fund from which the original loan was made needs to be restored to fund other commitments and requests authorization to reimburse the Bond Proceeds Fund by substitution with an appropriate alternative source of funds held in the State Treasury.

The Joint Bond Review Committee approved the Authority's request for extension of the loan on April 24, 2013, for a period of two years. The extension is contingent upon the Authority making interest payments during the two-year period.

Mr. Eckstrom said that he read somewhere that there is a plan for resolution of the repayment of the loan at the end of the extension. He asked Mr. Chandler and Mr. Burdette what is that plan. Mr. Burdette said the plan they submitted was for repayment in 15 years. He said there is some obvious concern over the length of the term and the balloon payment. He noted that their revenue stream over the next three years is going to increase by over 20% and they will know how much they will be able to handle in terms of a debt service payment. Mr. Eckstrom asked how much 20% in additional revenue will produce. Mr. Burdette said it will produce $2 million per year. Mr. Eckstrom asked what the cost will be to remove the 160,000 gallons of fuel that is on the ship. Mr. Burdette said the cost is about $4.2 million. He said removal of the fuel does not have to be done immediately, but will need to be done before they start cutting the steel plate out of the ship and replacing that in the next 25 years.

Senator Leatherman asked in further discussion what other alternatives are there other than to approve the Board action requested. He said the only other alternative is to foreclose on the ship. He said he recommends that the Board do what is requested. Mr. Eckstrom said an alternative is to appropriate the repayment.

Upon a motion by Senator Leatherman, seconded by Mr. White, the Board considered and approved the Patriots Point Development Authority's extension request and authorized the Office of State Treasurer to reimburse the Bond Proceeds Fund by substitution with an alternative source. Governor Haley, Mr. Loftis, Senator Leatherman, and Mr. White voted for the item. Mr. Eckstrom voted against the item.

Mr. Loftis thanked Ms. Adams, Mr. Koch, and Board staff for the work they did on this item.

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

South Carolina State University: Approval of a Housing Allowance for the President of South Carolina State University (Regular Session Item #6)

Section 89.16 of the 2012-2013 Appropriations Act requires the final approval of the Budget and Control Board for a state institution of higher learning to provide a housing allowance. The Agency Head Salary Commission has also reviewed and recommends approval of a request from the Chairman of the Board of Trustees of South Carolina State University to pay the University's President a housing allowance of $25,000 per year.

Upon a motion by Mr. Eckstrom, seconded by Senator Leatherman, the Board approved the request for a housing allowance of $25,000 for the South Carolina State University President.

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

Public Employee Benefit Authority: Actuarial Valuation of the South Carolina Retirement System (Regular Session Item #7)

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

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

At the regular meeting of the PEBA Board of Directors on February 1, 2013, the PEBA Board accepted as information the valuation prepared by the Board's actuary, Gabriel Roeder Smith ("GRS"), for SCRS as of July 1, 2012. Because the valuation found that the employee and employer contributions scheduled for SCRS for July 1, 2014, by Section 9-1-1085(A) were sufficient to maintain an amortization period not exceeding thirty years for the plan, the PEBA Board was not required to make any adjustments in employee or employer contribution rates for SCRS for July 1, 2014.

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

Mr. Eckstrom stated that the State's pension plan is dying on the vine. He said the actuarial valuation is alarming. He noted that the funding level has declined year after year with a couple of exceptions as estimate changes have been made. He said honest attempts have been made to deal with the unfunded liability and low funding levels. He said despite those attempts over time, the unfunded liability is increasing and the amortization periods are increasing as well. Mr. Eckstrom further stated that the percent of funding compared to the State's payroll keeps going up. He said that all the indicators are present that point to a catastrophe for the State's plans. He said unless the Board intervenes and takes more significant action with regard to funding or benefits structure this plan is going to end. He further stated that because of the perilous funding level of so many pension plans the federal government will likely intervene and take over plans like the State's plan.

Governor Haley said it needs to be acknowledged that the General Assembly passed significant pension reform, reduced the liability by $2 billion, saved $300 million a year, and changed the amortization years. She said the State has been proactive and should continue to do so. Senator Leatherman said he does not agree with Mr. Eckstrom's views. He said that within five years the action the General Assembly took will begin to come together. Mr. Eckstrom said he hopes Senator Leatherman is correct. He noted that the funding levels continue to climb and that the unfunded liability is up to $14 billion in one plan alone in spite of the reforms that have been made.

Because there were no adjustments in employee or employer contribution rates for SCRS for July 1, 2014, from the scheduled rates set out in Section 9-1-1085(A), there was no action required by the Board regarding those rates, and the actuarial valuation for SCRS as of July 1, 2012. Upon a motion by Mr. White, seconded by Senator Leatherman, the actuarial valuation was received by the Board as information.

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

Public Employee Benefit Authority: Approval of PEBA Policy Determination for the South Carolina Police Officers' Retirement System (Regular Session Item #8)

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

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

At the regular meeting of the PEBA Board of Directors on February 1, 2013, the PEBA Board accepted as information the valuation prepared by the Board's actuary, Gabriel Roeder Smith ("GRS"), for PORS as of July 1, 2012, and adopted the contribution rates recommended therein. In particular, because the valuation found that the PORS contribution rates scheduled in Section 9-11-225(A) for July 1, 2014, were not sufficient to maintain an amortization period not exceeding thirty years for the plan, the PEBA Board adopted the recommendation of the actuary that PORS contribution rates be increased under Section 9-11-225(C) from the scheduled rates of 8.00% for employees and 13.00% for employers to 8.41% for employees and 13.41% for employers for July 1, 2014, to maintain a thirty-year amortization period for the plan.

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

Mr. Eckstrom said this plan is an example of the problem with which the Board is dealing. He stated that had the expected employer and employee contribution rates that were set in place last year been applied to the projected unfunded liability, the unfunded liability would have grown to the point that the plan could not be amortized over 30 years. Senator Leatherman said that Mr. Eckstrom was correct in his comments, but PEBA has made this recommendation believing it needs to be done.

Upon a motion by Senator Leatherman, seconded by Mr. White, the Board, pursuant to Section 9-4-45, approved the following adjustments in employer and employee contributions adopted by the PEBA Board for the South Carolina Police Officers' Retirement System ("PORS") for the fiscal year beginning July 1, 2014, based upon the actuarial valuation of the system as of July 1, 2012:

1. Increase PORS employee contribution rate from 8.00% to 8.41% and the PORS employer contribution rate from 13.00% to 13.41%;

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

Public Employee Benefit Authority: Approval of PEBA Policy Determination for Judges and Solicitors (Regular Session Item #9)

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

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

At the regular meeting of the PEBA Board of Directors on February 1, 2013, the PEBA Board accepted as information the valuation prepared by the Board's actuary, Gabriel Roeder Smith ("GRS"), for JSRS as of July 1, 2012, and adopted the employer contribution rate of 47.97% for the fiscal year beginning July 1, 2014, as recommended therein.

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

Mr. Eckstrom asked whether the law that was passed applied to the Judge's system because the contribution rate increase to keep the funding period under 30 years is borne only by the employer's contribution. He asked why it was not okay to split employer and employee rates for this plan. He said that virtually everything about this plan provides benefits beyond anything imaginable to participants in the State plan.

Upon a motion by Mr. White, seconded by Senator Leatherman, the Board, pursuant to Section 9-4-45, approved the following adjustment in employer contributions adopted by the PEBA Board for the Retirement System for Judges and Solicitors ("JSRS") for the fiscal year beginning July 1, 2014, based upon the actuarial valuation of the system as of July 1, 2012:

1. Increase JSRS employer contribution rate from 47.33%. to 47.97%;

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

Public Employee Benefit Authority: Approval of PEBA Policy Determination for Members of the General Assembly (Regular Session Item #10)

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

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

At the regular meeting of the PEBA Board of Directors on February 1, 2013, the PEBA Board accepted as information the valuation prepared by the Board's actuary, Gabriel Roeder Smith ("GRS"), for GARS as of July 1, 2012, and adopted the employer contribution of $4.275 million for the fiscal year beginning July 1, 2014, as recommended therein.

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

Mr. Eckstrom noted that the amortization period for this plan is declining. He said that is how all of the plans should be structured in order to move away from the 30-year wall. He said this plan can amortize its unfunded liability over 15 years. He said a number of things were done to tighten up benefits in this plan to future enrollees. He said this will work out for all the other plans as well. Mr. Eckstrom further stated that the plans have to be funded better or the benefits have to be modified. He said this plan should be a model for restructuring the other plans.

Upon a motion by Mr. White, seconded by Senator Leatherman, the Board, pursuant to Section 9-4-45, approved the following adjustment in employer contributions adopted by the PEBA Board for the Retirement System for Members of the General Assembly ("GARS") for the fiscal year beginning July 1, 2014, based upon the actuarial valuation of the system as of July 1, 2012:

1. Increase GARS employer contribution from $4.063 million to $4.275 million;

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

Public Employee Benefit Authority: Approval of PEBA Policy Determination for the National Guard System (Regular Session Item #11)

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

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

At the regular meeting of the PEBA Board of Directors on February 1, 2013, the PEBA Board accepted as information the valuation prepared by the Board's actuary, Gabriel Roeder Smith ("GRS"), for NGRS as of July 1, 2012, and adopted the employer contribution of $4.586 million for the fiscal year beginning July 1, 2013, as recommended therein.

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

Mr. Eckstrom said this plan is another good model of the way benefits are structured. He said the benefits are known and the plan can be funded to meet those benefits.

Upon a motion by Mr. White, seconded by Senator Leatherman, the Board, pursuant to Section 9-4-45, approved the following adjustment in employer contributions adopted by the PEBA Board for the National Guard Retirement System ("NGRS") for the fiscal year beginning July 1, 2013, based upon the actuarial valuation of the system as of July 1, 2012:

1. Increase NGRS employer contribution from $4.539 million to $4.586 million;

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

Division of State Budget: Clemson University Research University Infrastructure Project (Regular Session Item #12)

On March 22, 2013, the SmartState Review Board certified Clemson University for $5 million in general obligation debt to be issued under the South Carolina Research University Infrastructure Act (RUIA) for the Clemson University/Greenwood Genetics Center Research Collaborative project. The Act requires the Review Board to certify that at least 50% of the cost of each research infrastructure project is being provided by private, federal, municipal, county or other local government sources.

The Clemson research infrastructure project consists of the following components that were certified by the Review Board for funding or as part of the required match:

1) construction of a 17,000 square foot Genetics and Research Education Center for $6.5 million, of which $5 million will be funded with general obligation Research University Infrastructure Bonds and $1.5 million will be funded with gift funds received from Greenwood County, which provides a portion of the required match;

2) a gift of 14.79 acres of land to Clemson from Greenwood County and the Greenwood Commissioners of Public Works, valued at $1,140,000, on which the Genetics and Research Education Center will be constructed, which provides a portion of the required match. Greenwood County will donate 10.79 acres and the Commissioners of Public Works will donate 4.0 acres;

3) an in-kind lease of 3,331 square feet at 117 Gregor Mendel Circle in Greenwood, leased by the Greenwood Genetics Center to Clemson for $1 per year for three years, valued at $299,787 which provides a portion of the required match;

4) an in-kind lease of 30,301 square feet at 117 and 106 Gregor Mendel Circle in Greenwood, leased by the Greenwood Genetics Center to Clemson for $1 per year for 15 years, valued at $13,635,435 which provides a portion of the required match.

The total cost of the Clemson Research University Infrastructure Project is approximately $21,575,240. The facility to be constructed will be dedicated to human and agricultural genetic and epigenetic research and will contain eight labs and offices to accommodate more than 40 researchers, technicians, and doctoral students. The facility will provide cornerstone research space for Clemson's Genetics doctoral program and opportunities for research collaboration with investigators at the J.C. Self Research Institute of Human Genetics (Greenwood Genetics Center).

The SmartState Board has certified to the Joint Bond Review Committee and Budget and Control Board the following in accordance with Code Sections 11-51-70 and 11-51-80:

1) The total cost of the Research Infrastructure project is approximately $21,575,240.

2) The completed schedule (projected construction period) during which the proceeds of the requested general obligation will be executed is as follows: June 2013 to January 2016.

3) The Clemson University RUIB project, for which $5,000,000 in general obligation debt is requested to be issued, is described in the February 1, 2013 letter and project summary from Clemson University. The Clemson RUIA project was presented and approved by the SmartState Review Board on March 22, 2013.

4) Pursuant to Code Section 11-51-70, at least 50 percent of the cost of the Clemson University RUIA Project is matched by private, federal, municipal, county or other local government sources. This match, totaling $16,575,222, conforms to the SC Research University Infrastructure Act Cost Share Accounting Policy.

5) Therefore, the provisions of Code Section 11-51-70 have been met, the source and validity of the match have been verified, and the Clemson University Project, as described in the Clemson University Proposal, complies with the provisions of Title 11, Chapter 51 of the SC Code, subject to confirmation of financing to be provided to the State Treasurer's Office.

6) The SmartState Board has determined that the Clemson RUIA Project conforms to the purposes and goals of the South Carolina Research University Infrastructure Act. The Board has approved the Clemson RUIA Project in accordance with the Act and the Board's implementation guidelines.

The was asked to approve the Clemson University/Greenwood Genetics Center Research Collaborative RUIA project. Associated with the RUIA project, the Board is also asked to approve the establishment of a permanent improvement project request for construction of the Clemson University/Greenwood Genetic Center Building for $6.5 million, funded with $5 million in Other, Research University Infrastructure Bonds and $1.5 million in Other, Gift funds from Greenwood County, and approve the acquisition by Clemson of 14.79 acres of land donated from Greenwood County and the Greenwood Commissioners of Public Works. The Joint Bond Review Committee approved the RUIA project and the associated requests at its meeting on April 24, 2013.

Upon a motion by Senator Leatherman, seconded by Mr. Eckstrom, the Board approved the Clemson University/Greenwood Genetics Center Research Collaborative RUIA project;

approved the establishment of a permanent improvement project for $6.5 million, including $5 million in Research University Infrastructure Bonds and $1.5 million from Greenwood County, for construction of the Clemson University/Greenwood Genetic Center Building; and approved the acquisition by Clemson of 14.79 acres of land donated from Greenwood County and the Greenwood Commissioners of Public Works.

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

Division of State Budget: Permanent Improvement Projects (Regular Session Item #13)

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

Establish Project for A&E Design

(a) Summary 6-2013: JBRC Item 2. University of South Carolina
Project: 6102, Athletic Village Tennis Complex Addition
Funding Source: $15,000 Athletic Operating funds which are generated from Athletic revenues that consist of ticket sales, SEC Conference Distributions, Gamecock Club contributions, seat premiums, and corporate sponsorships.
Request: Establish project and budget for $15,000 (Athletic Operating funds) to begin design work to construct an addition to the Tennis Complex at the University of South Carolina. The 3,570 square foot addition will be constructed in areas below the existing raised viewing concourse of the tennis facility and will include men's and women's team meeting, film and locker rooms, a visitor meeting room and a restroom facility. Currently, the tennis teams share locker facilities in the Roost E building which has no meeting and film rooms. Teams are not allowed to leave the competition facility once a match has started and thus have no opportunity to return to a separate facility to meet between matches. Private team meeting areas and restrooms are crucial during match play so conversations are not overheard and competing players do not interact while using restroom facilities during breaks. The agency's internal estimated cost of this project, prior to A&E design being done, is $1 million. The proposed source of funds for construction is Athletic Operating funds.

(b) Summary 6-2013: JBRC Item 3. Budget and Control Board
Project: 9919, Senate Street Building Roof Replacement
Funding Source: $9,575 Other, Depreciation Reserve funds which are derived from the rent account which receives rent charged to state agencies housed in state-

controlled office buildings.

Request: Establish project and budget for $9,575 (Other, Depreciation Reserve funds) to begin design work to replace the roof on the Senate Street Building that houses programs of the Budget and Control Board and the University of South Carolina. The work will include removing the existing concrete deck, installing a new vapor barrier, replacing the aluminum built up roof with a modified asphalt two-ply roof, and tuck pointing the joints between the limestone veneer wall panels that surround the building's high roof areas. The existing roof is leaking and retaining moisture. If the roof and insulation are not replaced, moisture will penetrate the building envelope, damaging building systems and creating the potential for environmental hazards such as mold. The agency's internal estimated cost of this project, prior to A&E design being done, is $478,725. The proposed source of funds for construction is Other, Depreciation Reserve funds.

Establish Construction Budget

(c) Summary 6-2013: JBRC Item 4. University of South Carolina

Project: 6096, Outdoor Football Practice Fields Construction

Funding Source: $3,000,000 Athletic Operating funds which are generated from Athletic revenues that consist of ticket sales, SEC Conference Distributions, Gamecock Club contributions, seat premiums, and corporate sponsorships.

Request: Increase budget to $3,000,000 (add $2,955,000 Athletic Operating funds) to develop two outdoor football practice fields for the University of South Carolina. The project was established in June 2012 for pre-design work which is now complete. The work on the former Farmer's Market site will include grading, installing drainage, turf, irrigation, lighting and goal posts, and constructing two film towers. Existing practice fields are located on leased property. The university has decided to develop permanent facilities on property owned by the university instead of investing in improvements to leased facilities. Energy savings and conservation measures will include the installation of energy efficient lighting. The agency reports the total projected cost of this project is $3 million and annual operating cost savings of $130,000 will result in the year following project completion. The agency also reports the projected date for execution of the construction contract is November 2013 and for completion of construction is June 2014. (See Attachment 1 for this agenda item for annual operating cost savings.)

(d) Summary 6-2013: JBRC Item 5. Adjutant General

Project: 9773, Multiple Armory Maintenance Repairs

Funding Source: $1,000,000, which includes $500,000 Appropriated State funds appropriated in 2012-13 for armory maintenance as match for federal funds to repair readiness centers on state land and $500,000 Federal funds received from the National Guard Bureau for maintenance.

Request: Increase budget to $1,000,000 (add $500,000 Federal funds) to repair and maintain readiness centers statewide for the Adjutant General's Office. The project was established in March 2013 with legislatively authorized funds appropriated specifically for armory maintenance to provide match for federal funds available to the agency for repairs to readiness centers on state land. This request is to commit the federal funds for which matching funds were appropriated. No external pre-design work will be required for the repairs. The work will include replacing roofs, doors, windows and lighting, renovating restrooms, improving parking, replacing an HVAC system, and painting. The facilities to be repaired were constructed between 1950 and 1970, with one constructed in 1933, and all have maintenance needs. Energy savings and conservation measures will include the installation of energy efficient roof, lighting, HVAC and window systems. The agency reports the total projected cost of this project is $1 million and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the first construction contract is June 2013 and for completion of all construction is November 2013.

(e) Summary 6-2013: JBRC Item 6. Budget and Control Board
Project: 9852, Gressette Building Air Handler Fan Replacement
Funding Source: $699,631, which includes $22,500 Appropriated State funds previously approved for the project, $351,289 Other, Depreciation Reserve funds which are derived from the rent account that receives rent charged to state agencies housed in state-controlled office buildings, and $325,842 Other, Deferred Maintenance funds which were supplemental appropriated state funds from FY 09-10 appropriated specifically for deferred maintenance.
Request: Increase budget to $699,631 (add $677,131: $351,289 Other, Depreciation Reserve funds and $325,842 Other, Deferred Maintenance funds) to replace the air handler fans in the Gressette Building. The project was established in January 2008 for pre-design work, put on hold while addressing Gressette Building reinforcement work, and pre-design work is now complete. The work will include replacing the existing air handler fans with new fans, motors and cooling coils and doing associated electrical work. The air handling unit is 36 years old and original to the building. Parts have rusted and corroded and motor problems are occurring that could lead to no air conditioning if the motor were to break completely. The fans are outdated, inefficient, and difficult to repair and parts have become obsolete. Energy savings and conservation measures will include the installation of energy efficient fans with variable speed drives. The agency reports the total projected cost of this project is $699,631 and annual operating cost savings of $32,670 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is November 2013 and for completion of construction is January 2014. (See Attachment 2 for this agenda item for annual operating cost savings.)

(f) Summary 6-2013: JBRC Item 7. Budget and Control Board
Project: 9912, Rutledge Building Emergency Generator Installation
Funding Source: $723,945 Other, Depreciation Reserve funds which are derived from the rent account that receives rent charged to state agencies housed in state-controlled office buildings.
Request: Increase budget to $723,945 (add $718,045 Other, Depreciation Reserve funds) to install an emergency generator in the Rutledge Building housing the Department of Education. The project was established in October 2012 for pre-design work which is now complete. The work will include installing a new emergency generator and automatic transfer switches and upgrading the electrical system to provide power from the generator to life safety and other systems. The 50 year-old building would be required to have an emergency generator if built today. The new generator will provide backup power for the fire pump, egress lighting, elevators, fire detection and notification systems, and information technology operations. Its installation will bring this part of the building up to current standards and prevent elevator passengers from being stranded during power outages as happened recently. Energy savings and conservation measures are not applicable to this generator project. The agency reports the total projected cost of this project is $723,945 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 2013 and for completion of construction is May 2014.

(g) Summary 6-2013: JBRC Item 8. Department of Mental Health
Project: 9721, Campbell Veterans Nursing Home Deferred Maintenance
Funding Source: $1,678,571, which includes $750,000 Capital Reserve Funds appropriated in 2010-11 specifically for this project and $928,571 Federal funds from a Veterans Administration grant specifically for this project.
Request: Increase budget to $1,678,571 (add $928,571 Federal funds) to replace the mechanical system at the Department of Mental Health's Campbell Veterans Nursing Home in Anderson. The project was established in November 2011, with Capital Reserve Funds appropriated for deferred maintenance at this facility, to repair the pond dam and do pre-design work for the mechanical system replacement, which are now complete. The remaining work on the project will include replacing two 200-ton chillers, associated pumps and the mechanical control systems serving the facility. The mechanical system is 22 years old, original to the building, and past its life expectancy and the chillers are failing. Energy savings and conservation measures will include the installation of energy efficient chillers and variable speed pumps. The agency reports the total projected cost of this project is $1,678,571 and annual operating cost savings of $16,000 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is December 2013 and for completion of construction is December 2014. (See Attachment 3 for this agenda item for annual operating cost savings.)

(h) Summary 6-2013: JBRC Item 9. Department of Mental Health

Project: 9722, Stone Veterans Nursing Home Deferred Maintenance

Funding Source: $3,800,000, which includes $1,330,000 Capital Reserve Funds appropriated in 2010-11 specifically for this project and $2,470,000 Federal funds from a Veterans Administration grant specifically for this project.

Request: Increase budget to $3,800,000 (add $2,470,000 Federal funds) to address deferred maintenance and renovate the Department of Mental Health's Stone Veterans Nursing Home in Columbia. The project was established in November 2011, with Capital Reserve Funds appropriated for deferred maintenance at this facility, for pre-design work which is now complete. The work in the 45,684 square foot facility will include renovating client rooms and restrooms, upgrading handrails, wall protection, and the lighting, nurse call and fire alarm systems, replacing flooring and windows, renovating the mechanical system, replacing the roof, and abating asbestos. The facility is 41 years old and most of the features and finishes are original to the building. The roof is 20 years old and beginning to leak. Energy savings and conservation measures will include the installation of energy efficient windows, roofing with better insulated components, and a mechanical control system to better regulate and control temperatures. The agency reports the total projected cost of this project is $3,800,000 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 November 2013 and for completion of construction is December 2014.

Increase Budget

(i) Summary 6-2013: JBRC Item 10. Clemson University

Project: 9864, CURI - Graduate Education Center Construction & Lasch Lab Upfit/Land Acquisition

Funding Source: $23,520,000 which includes $8,000,000 Federal grant funds from the Economic Development Administration, $5,100,000 Other, Private Gift funds, $10,300,000 Other, Research University Infrastructure Bonds previously approved for the project, and $120,000 Other, Operating Revenue funds previously approved for the project.

Request: Increase budget to $23,520,000 (add $13,100,000: $8,000,000 Federal and $5,100,000 Other, Private Gift funds) to upfit the Lasch Lab and construct a new Graduate Education Center at the Clemson University Restoration Institute (CURI) in North Charleston. The project was established in November 2005 and increased to establish the construction budget in December 2006 when Research University Infrastructure Bonds were certified for use in the project. The work will now include upfitting approximately 45,971 square feet in the Lasch Lab and constructing an approximately 51,000 square foot Graduate Education Center (GEC). The budget increase is due to the increased size of the facility, originally planned for approximately 22,000 square feet, required to house the Restoration Institute, industry partnering spaces and student oriented spaces. The Lasch Lab upfit is needed to develop and improve new technologies to conserve large metallic objects from marine environments. The GEC will be a mixed use teaching, electronic lab and research facility which will serve as the core of the CURI campus. The facility will be constructed to LEED Silver certification and will include many energy savings and conservation measures. The LEED cost benefit analysis shows a negative cost benefit of $202,500 at this phase of design based on preliminary figures, but Clemson staff anticipate the negative benefit will be negligible once the design nears completion. The agency reports the total projected cost of this project is $23,520,000 and additional annual operating costs ranging from $400,350 to $416,524 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is August 2014 and for completion of construction is December 2016. (See Attachment 4 for this agenda item for additional annual operating costs.)

(j) Summary 6-2013: JBRC Item 11. Department of Mental Health
Project: 9724, Bryan Hospital/Morris Village Energy Plant Chiller Replacements
Funding Source: $2,025,000 Other, Operating Revenue funds which is Medicaid fee-for-service earned revenue for clinical services provided.
Request: Increase budget to $2,025,000 (add $100,000 Other, Operating Revenue funds) to meet current cost estimates to replace two chillers and a cooling tower serving the Department of Mental Health's Bryan Hospital and Morris Village. The project was established for pre-design in June 2012 and the full design and construction budget was approved in October 2012. During the full design phase, it became evident to the electrical engineer that the electrical equipment needed replacing to service the new chillers. In addition, a new step-down transformer is needed for the variable speed chillers, roll-up doors are being replaced, and some framing will be modified to accommodate the new chillers. This work was not included in the pre-design cost estimate or determined to be needed until full design was almost complete. Mechanical cost estimates and the contingency have been reduced to accommodate much of the increase, but additional funds are needed to bid the project. Energy savings and conservation measures will include the installation of energy efficient chillers, pumps and variable speed drives. The agency reports the total projected cost of this project is $2,025,000 and annual operating cost savings of $53,120 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is July 2013 and for completion of construction is June 2014. (See Attachment 5 for this agenda item for annual operating cost savings.)

Establish Project for Preliminary Land Studies

(k) Summary 6-2013: JBRC Item 12. Department of Natural Resources
Project: 9933, Charleston - Dungannon Plantation Land Acquisition

Funding Source: $20,000 Other, Heritage Land Trust Fund, which is funded with a portion of the Documentary Stamp Tax and provides funds to the department to acquire property in priority areas and pay the costs associated with acquisition.

Request: Establish project and budget for $20,000 (Other, Heritage Land Trust Fund) to procure the investigative studies required to adequately evaluate property prior to purchase. The Department of Natural Resources is considering the purchase of approximately 88 acres of land in Charleston County adjacent to the Dungannon Plantation Heritage Preserve and Wildlife Management Area. The acquisition will protect significant natural and cultural areas, including endangered species. The property provides habitat for the second largest colony of federally endangered wood stork in the state and other wading bird species and will offer additional recreational opportunities to the public.

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

Division of State Budget: Real Property Acquisitions (Regular Session Item #14)

Upon a motion by Mr. White, seconded by Senator Leatherman, the Board approved the following real property acquisitions as recommended by the Division of State Budget:

(a)	Agency:	**Greenville Technical College**
	Acreage:	14.53± acres
	Location:	On West McElhaney Road adjoining the Greer campus of Greenville Technical College in Taylors.
	County:	Greenville
	Purpose:	For future expansion of the Greer Campus of Greenville Technical College.
	Appraised Value:	$315,000
	Price/Seller:	$220,000 / Greenville Tech Foundation, Inc.
	Source of Funds:	Other, Local County
	Project Number:	H59-6080
	Environmental Study:	Approved
	Building Condition Assessment:	N/A
	Additional Annual Op Cost/SOF:	Additional annual operating costs of $26 for storm water fee are anticipated and will be funded with Local County funds.
	Current Year Property Tax:	N/A - Exempt
	Approved By:	CHE on 3/7/13; JBRC staff on 3/20/13

(b)	Agency:	**Coastal Carolina University**
	Acreage:	8.16± acres of campus roads
	Location:	Consisting of Chanticleer Drive West, Chanticleer Drive East, Founders Drive and Evergreen Lane on the Coastal Carolina main campus.
	County:	Horry
	Purpose:	To perform major road repair work needed due to heavy equipment movement on campus for recent construction projects.
	Appraised Value:	N/A
	Price/Seller:	Donation / Coastal Educational Foundation
	Source of Funds:	N/A - Donation
	Project Number:	H17-9597
	Environmental Study:	Approved
	Building Condition Assessment:	N/A
	Additional Annual Op Cost/SOF:	No additional annual operating costs are anticipated as the University already provides routine maintenance of roads.
	Current Year Property Tax:	N/A - Exempt
	Approved By:	CHE on 3/19/13; JBRC staff on 4/3/13

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

State of South Carolina: Not Exceeding $26,500,000 General Obligation State Highway Refunding Bonds, Series 2013, of the State of South Carolina (Regular Session Item #15)

The Board was asked to adopt a resolution making provision for the issuance and sale of not exceeding $26,500,000 General Obligation State Highway Refunding Bonds, Series 2013, of the State of South Carolina.

Senator Leatherman asked what the savings are in refunding the bonds. Rick Harmon with the Treasurer's Office responded that the savings will be $3 million.

Upon a motion by Mr. Eckstrom, seconded by Senator Leatherman, the Board adopted a resolution making provision for the issuance and sale of not exceeding $26,500,000 General Obligation State Highway Refunding Bonds, Series 2013, of the State of South Carolina.

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

State of South Carolina: Not Exceeding $13,350,000 in the Aggregate Principal Amount State General Obligation Research University Infrastructure Bonds of the State of South Carolina and Notes in Anticipation of the Issuance (Regular Session Item #16)

The Board was asked to adopt a resolution making provision for the issuance and sale of not exceeding $13,350,000 in the Aggregate Principal Amount State General Obligation Research University Infrastructure Bonds of the State of South Carolina and Notes in Anticipation of the Issuance.

The proceeds from the sale of the bonds will be used to (a) reimburse the University of South Carolina for monies advanced in connection with the University of South Carolina Research Infrastructure Project, (b) pay costs of the University of South Carolina Research Infrastructure Project authorized by the Enabling Act, and (c) pay the costs of issuance of such Research University Infrastructure Bonds.

Upon a motion by Mr. Loftis, seconded by Senator Leatherman, the Board adopted a resolution making provision for the issuance and sale of not exceeding $13,350,000 in the Aggregate Principal Amount State General Obligation Research University Infrastructure Bonds (University of South Carolina) of the State of South Carolina and Notes in Anticipation of the Issuance.

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

State of South Carolina: Not Exceeding in the Aggregate $5,000,000 Principal Amount State General Obligation Research University Infrastructure Bonds of the State of South Carolina and Notes in Anticipation of the Issuance (Regular Session Item #17)

The Board was asked to adopt a resolution making provision for the issuance and sale of not exceeding in the aggregate $5,000,000 Principal Amount State General Obligation Research University Infrastructure Bonds of the State of South Carolina and Notes in Anticipation of the Issuance.

The proceeds from the sale of the bonds will be used to (a) reimburse the Clemson University for monies advanced in connection with the Clemson Research Infrastructure Project, (b) pay costs of the Clemson Research Infrastructure Project authorized by the Enabling Act, and (c) pay the costs of issuance of such Research University Infrastructure Bonds.

Upon a motion by Mr. Eckstrom, seconded by Mr. White, the Board adopted a resolution making provision for the issuance and sale of not exceeding in the aggregate $5,000,000 Principal Amount State General Obligation Research University Infrastructure Bonds (Clemson University) of the State of South Carolina and Notes in Anticipation of the Issuance.

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 University of South Carolina Higher Education Revenue Bonds, Series 2013 (Regular Session Item #18)

The Board was asked to adopt a resolution making provision for the issuance and sale of not exceeding $34,000,000 University of South Carolina Higher Education Revenue Bonds, Series 2013.

The proceeds from the sale of the bonds will be used to (i) reimburse the University for Capital Expenditures previously made in connection with, and to pay the costs of, renovating the Sims, McClintock, and Wade Hampton residence halls located on the University's Columbia Campus; (ii) pay capitalized interest on the Series 2013 Bonds, if any; (iii) provide for the Series 2013 Reserve Requirement; (iv) pay certain costs and expenses related to the issuance of the Series 2013 Bonds; and (v) provide for the credit enhancement with respect to the Series 2013 Bonds; if any.

Upon a motion by Mr. Eckstrom, seconded by Senator Leatherman, the Board adopted a resolution making provision for the issuance and sale of not exceeding $34,000,000 University of South Carolina Higher Education Revenue Bonds, Series 2013.

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

Higher Education Efficiency and Administrative Policies Act Committee: Recommendations for Creation of a Separate and Comprehensive Human Resources System for Higher Education (Regular Session Item 19)

Part III of the South Carolina Higher Education Efficiency and Administrative Policies Act [HEEAPA] of 2011 charged a representative committee of institutions of higher learning and technical colleges, with the participation of the Board's Office of Human Resources, to "study, develop, and recommend a separate, comprehensive human resources system for the public institutions of higher learning and technical colleges. The recommendation shall include, but not be limited to, prescription of a methodology to establish a uniform compensation and classification plan among the public institutions of higher learning and technical colleges. The recommendations must provide for necessary accountability to the Board, including a process for reporting human resources data."

As required by this legislation, representatives of the State Human Resources Division participated with the representative committee of higher education and technical colleges by attending a number of meetings and providing information to study and develop a separate, comprehensive human resources system for the public institutions of higher learning and technical colleges. The HEEAPA Committee has submitted its Recommendations for Creation of a Separate and Comprehensive HR System for Higher Education, dated January 15, 2013. Part III of HEEAPA also provides that the HEEAPA Committee's recommendations "shall not be implemented until approved by the Budget and Control Board pursuant to Section 8-11-230."

Dr. Fred Carter, Francis Marion University President, Dr. David DeCenzo, Coastal Carolina President, and Mr. Wilkins, State Human Resources Director, appeared before the Board on this matter. Mr. Loftis asked for a brief overview of how the separate system will work. Dr. Carter advised that this came about as a result of a composite committee of colleges and universities. He said they worked for about a year and a half developing the series of recommendations contained in the report. He noted that some of the recommendations will require statutory changes, some will require changes in Board procedures, and some will require changes in regulations. Dr. Carter stated that Mr. Wilkins has brought before the Board those recommendations with which he concurs and that the Board may change by virtue of its own authority. He said there will be the creation of a higher education human resources council, creation of a higher education class and compensation system, and allow use of online of tables of organizations to satisfy the statutory reporting requirements necessary under State law.

Mr. Loftis asked if the council will run the program or if State Human Resources Division will run the program. Dr. Carter stated the council works only as an advisory council to the State Human Resources Division. He said the changes that are recommended as a result of that composite group would come as they normally would to the Board in the process. He advised the Board that they would like for Mr. Wilkins to go to the General Assembly with them on statutory changes. Ms. Adams advised the Board that the Board is only receiving as information those recommendations that require statutory changes. Dr. Carter noted that the same is true for those that require regulatory changes as well.

Governor Haley asked Dr. Carter if this system gives colleges and universities more flexibility. Dr. Carter responded that it does and it allows them to move forward with a system that better suits higher education. He also noted that they have not requested changes that would adversely impact the State Grievance Act. Governor Haley said she has worked with all of the presidents on the higher education funding formula and not only does she want to give them stability and have more accountability, but she also wants the presidents to have more flexibility because every school is different.

Mr. Eckstrom asked whether the focus of the council will be compensation. Dr. Carter said that this item deals with a series of issues that have made running institutions more cumbersome over the years and have made their human resource systems more archaic. He also commented that many of these changes are applicable to other state agencies and not just higher education and the Board should consider that as well. Dr. Carter said that some of the recommendations streamline the management of those offices without impairing accountability. Mr. Eckstrom asked if the existing classification system will be modified through this process. Dr. Carter responded that what is contained in the recommendations is a template for a new classification and compensation system that is more directly applicable to classifications contained within higher education.

Mr. Loftis asked what the changes will do for the student. Dr. Carter said that for the student the changes will get the services to students, parents, and other constituents of the universities a lot more effectively.

Dr. Carter also stated that a lot of the classifications that are generic in the State system are not applicable to admissions officers in higher education. He said they are trying to take those generic State classifications and crosswalk them into classifications that are germane to higher education institutions. Dr. Carter noted that this effort was done without looking at adversely increasing the compensation of any of the people in the system. He said this was done in the abstract relative to what the institutions needed. He pointed out that the committee was comprised of HR directors across the higher education institutions.

Mr. Loftis asked if this system is going to cost the State more or less money in a year. Dr. Carter said he thinks the system will cost the same amount and get the institutions greater efficiency relative to the implementation of the classification and compensation system. He noted however it will take years to realize the full implementation of the system. Governor Haley said this system goes a long way in giving the institutions the flexibility they need to operate like businesses. Mr. Loftis says the problem he has is that he only sees small portions and pieces of the institutions operations.

Upon a motion by Senator Leatherman, seconded by Mr. White, the Board approved the following recommendations as requested by the Higher Education Efficiency and Administrative Policies Act Committee in its report entitled "Recommendations for Creation of a Separate and Comprehensive System for Higher Education, dated January 15, 2013:

Recommendation: Create a Council of University and College HR Directors to work cooperatively with the State Human Resources Division to oversee and manage the Higher Education Classification and Compensation System, to develop and maintain HR regulations, and to propose innovative HR practices and programs.
[This Council would be advisory to the State Human Resources Division.];

Recommendation: Ensure appropriate accountability to the Budget and Control Board through the continued role of the State Human Resources Division, data reporting requirements, and continued emphasis on auditing by SHRD;

Recommendation: Adopt a separate classification and compensation system that addresses the specific and unique needs of higher education institutions. The system should include:
job classes and unclassified titles specific to higher education, separate salary schedule that reflects the market for higher education positions, and operating regulations that govern how the system will be managed;

Recommendation: Request that online organizational charts on the web pages of each institution be recognized as fulfilling statutory reporting requirements and determine how reporting data into a statewide data system will impact various other-mandated reporting requirements; and

Received as information the remaining recommendations

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

Future Meeting

The Board agreed to meet at 10:00 a.m. on Tuesday, June 18, 2013.

Adjournment

The meeting adjourned at 11:20 a.m.

[Secretary's Note: In compliance with Code Section 30-4-80, public notice of and the agenda for this meeting were posted on bulletin boards in the office of the Governor's Press Secretary and in the Press Room, near the Board Secretary's office in the Wade Hampton Building, and in the lobbies of the Wade Hampton Building and the Edgar A. Brown Building at 8:45 a.m. on Tuesday, May 7, 2013.]