

MINUTES OF STATE FISCAL ACCOUNTABILITY AUTHORITY MEETING

January 31, 2017 – 9:30 A. M.

The State Fiscal Accountability Authority (Authority) met at 9:30 a.m. on Tuesday, January 31, 2017, in Room 252 in the Edgar A. Brown Building, with the following members in attendance:

Governor Henry McMaster, 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 State Fiscal Accountability Authority Director Grant Gillespie; Authority General Counsel Keith McCook; Governor's Chief of Staff Trey Walker; Treasurer's Chief of Staff Clarissa Adams; Comptroller General's Chief of Staff Eddie Gunn; Senate Finance Committee Budget Director Mike Shealy; Ways and Means Chief of Staff Beverly Smith; Authority Secretary Delbert H. Singleton, Jr., and other State Fiscal Accountability Authority staff.

[Secretary's Note: The Authority met immediately following meetings of the State Educational Facilities Authority and the Tobacco Settlement Revenue Management Authority, the members of which are State Fiscal Accountability Authority members, ex officio.]

Adoption of Agenda for State Fiscal Accountability Authority

Upon a motion by Senator Leatherman, seconded by Mr. Eckstrom, the Authority adopted the agenda as proposed.

Minutes of Previous Meeting

Upon a motion by Mr. White, seconded by Mr. Eckstrom, the Authority approved the minutes of the December 13, 2016, and December 29, 2016, Authority meetings.

Blue Agenda

Upon a motion by Mr. White, seconded by Mr. Eckstrom, the Authority approved blue agenda items #1, #2, #3, #4, #6, and #8 as noted herein.

Upon a motion by Mr. Eckstrom, seconded by Senator Leatherman, the Authority voted

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to approve blue agenda item #5 as noted herein.

Upon a motion by Mr. Eckstrom, seconded by Senator Leatherman, the Authority voted to carry over blue agenda item #7 as noted herein. Governor McMaster, Mr. Eckstrom, Senator Leatherman, and Mr. White voted for the motion. Mr. Loftis voted against the motion.

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

The Authority approved the referenced bond counsel assignment as recommended by the State Treasurer’s Office:

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

Description of Issue	Agency/Institution (Borrower)	Borrower’s Counsel	Issuer’s Counsel
\$9,302,000 Multifamily Housing Revenue Bonds (Elements West End)	Elements West End / Conduit: Greenville Housing Authority	Howell Linkous and Nettles, LLC	Horton Drawdy Ward Mullinax & Farry PA
\$11,000,000 Educational Facilities Revenue Bond (Charleston Southern University)	Charleston Southern University / Conduit: Educational Facilities Revenue Authority	McNair Law Firm	Howell Linkous and Nettles, LLC

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

Department of Administration, Real Property Services: Easement (Blue Agenda Item #4)

The Authority approved granting the referenced easement as recommended by the Department of Administration, Real Property Services:

- (a) County Location: Beaufort
- From: Department of Administration
- To: South Carolina Electric and Gas Company
- Consideration: \$700
- Description/Purpose: To grant a 0.53 acre easement for the construction, installation, operation and maintenance of an 8-inch natural gas pipeline beneath Albergotti Creek off of the west side of US Hwy. 21 near Salt Creek Drive in Beaufort. The new gas pipeline will

replace an existing 8-inch gas pipeline which serves the City of Beaufort. The term of the easement will be fifty (50) years. Consideration is \$500 plus \$200 per acre for easement across navigable waterways and submerged lands.

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

Department of Administration, Real Property Services: Real Property Conveyance – Naval Base Intermodal Facility (Blue Agenda Item #3)

The Department of Commerce Division of Public Railways requested approval to dispose, by quit-claim deed, of 3 Storehouse Row properties* acquired in 2013 and the Power House** obtained through the 2012 Settlement Agreement with the City of North Charleston together as one sale as follows:

Acreage	Location	County	Price/Transferred To
±1.766	1360 Truxtun Avenue, Building 7*	Charleston	Not less than appraised value/To be determined
±1.657	1362 McMillan Avenue, Building 11*	Charleston	Not less than appraised value/To be determined
±1.321	2120 Noisette Boulevard. Building 10*	Charleston	Not less than appraised value/To be determined
±2.25	1975 North Hobson Avenue**	Charleston	Nominal based on public benefit of rehabilitation of historic structure

These properties were acquired to provide maximum flexibility for implementation of the Naval Base Intermodal Facility (NBIF), but have now been deemed surplus. The Storehouse Row properties would be sold at not less than appraised value. The Department of Commerce is requesting sale of the Power House for nominal consideration in combination with the sale of the Storehouse Row properties due to the significant costs associated with rehabilitation to make the space usable. The terms and conditions of the Transfer and Purchase Agreement(s) will contain a reversionary clause subject to staff approval which will require rehabilitation of the Power House for commercial use by a date certain or the property will revert to approved public entity.

While the properties will be packaged for sale, to ensure the state receives the best value

for all of the properties, bidders will also have the opportunity to bid on the individual parcels with the condition that the Storehouse Row properties will not be sold without a suitable buyer for the Power House. The proceeds will be retained by the Department of Commerce's Division of Public Railways pursuant to Proviso 93.23.

The Authority approved the real property conveyance as recommended by the Department of Administration, Real Property Services on behalf of the Department of Commerce's Division of Public Railways.

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

Department of Administration, Real Property Services: Real Property Conveyance – Transfer of Surplus Armory (Blue Agenda Item #4)

Controlling Agency:	Department of Administration
Acreage:	1.27± acres
Location:	45 Park Road, Inman
County:	Spartanburg
Purpose:	To transfer a surplus armory to a political subdivision as directed by the 2005 Joint Resolution R199, S286.
Grantee:	City of Inman
Additional Information:	On September 27, 2005, the Budget and Control Board approved the transfer of 2.13± acres of the Inman National Guard Armory to the then Town of Inman. It was recently discovered that the Armory property was comprised of two contiguous parcels measuring 2.13± acres and 1.27± acres respectively and that the second parcel was inadvertently omitted in the 2005 transfer. The Department of Administration is seeking approval to transfer the 1.27-acre parcel to the City of Inman.

The Authority approved the above referenced real property conveyance as recommended by the Department of Administration, Real Property Services.

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

State Fiscal Accountability Authority, Office of the Executive Director: Bank Account Transparency and Accountability (Blue Agenda Item #5)

Proviso 117.83 of the Fiscal Year 2016-17 Appropriations Act requires agencies with composite reservoir bank accounts or other accounts which are not included in the South Carolina Enterprise Information System (SCEIS) to prepare a report disclosing transaction information from the prior fiscal year. State institutions of higher learning are exempted from this requirement. The proviso also provides for an agency to petition the State Fiscal Accountability Authority for an exemption from the detailed reporting requirements if release of the information would be detrimental to the state or agency. Agencies exempted from the detailed transaction reporting by action of the former Budget and Control Board must provide the following information for each account: 1) Name of the account; 2) Names and titles of each person responsible for making withdrawals and deposits in the account; 3) Names and titles of each person responsible for reconciling each account; 4) the beginning balance, total deposits, total expenditures and year-end balance of the account.

The SFAA Office of Executive Director requested state agencies to provide the required reports by October 1, 2016. The reports received from the various state agencies have been submitted to the Comptroller General's Office to be posted on its website. Attached is a list which submitted a report in accordance with Proviso 117.83 of the FY 2016-17 Appropriations Act.

One agency has requested an exemption from the reporting requirements of Proviso 117.83:

South Carolina Vocational Rehabilitation Department

The Proviso requires that the meeting to determine whether an exemption should be granted shall be closed. However, the exemption may only be granted upon a majority vote of the State Fiscal Accountability Authority in a public meeting.

The Authority:

- a) Received as information the list of agencies which have submitted reports in accordance with Proviso 117.83, concerning bank account transparency and accountability.
- b) Granted approval for the agency request for exemption from the detailed reporting requirements of Proviso 117.83 except for the following information 1) Name of the

account; 2) Names and titles of each person responsible for making withdrawals and deposits in the account; 3) Names and titles of each person responsible for reconciling each account; 4) the beginning balance, total deposits, total expenditures and year-end balance of the account; and

c) Requested the State Auditor's Office to continue to include a review of agency composite accounts when performing audits of agencies.

Mr. Eckstrom noted that he asked at the prior meeting that this item be carried over. He said that he has looked at the information that has been submitted from various agencies and his concern is that the detail for the list of accounts that have been received is incomplete. He stated that he continues to work with SFAA staff and the Treasurer's Office staff to address his concerns, but that he is willing at this point to receive the information that has been submitted as information. He said he will continue to work with staff to address the completeness of the reports.

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

Executive Director: Qualified Public Educational Facilities (2016 Volume Cap Carryforward) (Blue Agenda Item #6)

Internal Revenue Code Section 26 U.S.C. Section 142(k) for qualified public educational facilities and Section 142(a)(13) were added by Section 422(a) and (b) of P.L. 107-16 in 2001. Section 142(k) provides a separate and independent volume cap for qualified public educational facilities to be used for the issuance of bonds for public educational facilities. These bonds are not subject to the general volume limitation under Code Section 146 but are subject to a separate volume limitation set forth in Code Section 142(k). No regulations for this provision have been promulgated.

The volume cap for qualified public educational facilities is governed by Section 142(k)5. That Section provides, in part, the following:

(B) Allocation rules.

....
(ii) Rules for carryforward of unused limitation. A State may elect to carry forward an unused limitation for any calendar year for 3 calendar years following the calendar year in which the unused limitation arose under rules similar to the rules of Section 146(f), except that the only purpose for which the carryforward may be elected

is the issuance of exempt facility bonds described in subsection (a)(13).

The volume cap for calendar year 2016 was \$48,961,460 and has been unused. The Authority was asked to elect to carryforward the entire volume cap for 2016 to be used for the issuance of bonds for qualified public educational facilities as described in Section 142(a)(13) and authorize the filing of a carryforward election with the Internal Revenue Service in connection with such allocation. Pursuant to Section 142(k)(5)(B)(ii) the carryforward will be valid for the next three calendar years.

The Authority approved the carryforward of the unused volume cap allocation for qualified public educational facilities for calendar year 2016 to be used for the issuance of bonds of such bonds and authorize the filing of a carryforward election with the Internal Revenue Service in connection with such allocation to be valid for the next three calendar years.

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

Executive Director: Revenue Bonds (Blue Agenda Item #7)

The Authority voted to carry over the below referenced proposal to issue revenue bonds as noted above herein.

- a. Issuing Authority: Housing Authority of the City of Greenville
- Amount of Issue: \$9,302,000 Multifamily Housing Revenue Bonds
- Allocation Needed: \$9,302,000
- Name of Project: Elements West End
- Employment Impact: N/A
- Project Description: to provide financing for the acquisition, construction, and renovation of a historic warehouse for conversion into 60 rental units geared toward workforce housing
- Bond Counsel: Samuel W. Howell, IV, Howell Linkous & Nettles, LLC
(Exhibit 7)

Mr. Eckstrom pointed out that the resolution asks the Authority to approve the issue contingent upon a number of things occurring. He noted that the resolution provides for the State Treasurer to approve details submitted by the Housing Authority of the City of Greenville. Mr. Eckstrom asked Mr. Loftis how closely has he been able to look at issuance costs. He said the fees for this issuance are as high as any fees he has seen. Mr. Loftis responded that he has

been talking about fees for three years and he has not received any support from the Authority Board to help him with the fee issue. He said asking questions now about the fees is disingenuous. He stated that the conduit issuers are unrestrained when it comes to cost.

Mr. Eckstrom asked Mr. Loftis if the Authority should approve the issue in this case. He also asked Mr. Loftis what his opinion was about the fees. Mr. Loftis stated that he thought the fees were outrageous. He noted that the conduit issuers do not record the cost and the only reason they are recorded in this transaction is because he was able to get the information from the bond lawyers.

Kevin Kibler, Senior Assistant State Treasurer, and Sam Howell, counsel for the City of Greenville Housing Authority, appeared before the Authority on this matter. Mr. Kibler stated that the Greenville Housing Authority's fee of \$52,000 for this issue is very high and that helps to drive up the 6.39% cost of issuance. He commented that it is an expensive issue, but he does not know what authority the Treasurer's Office has to stop the issue from making its way to the Authority. He said if the Authority votes on the issue they can follow up to see what the actual costs of issuance were. He said there is very little that can be done at this point about the fee structure being high. Mr. Howell commented that Mr. Loftis and Mr. Kibler were correct in stating that, unlike state issues, the Treasurer's Office is not directly involved in these local government issuances with regards to fees and costs. Mr. Eckstrom responded that, at the same time, the Authority is responsible for approving this issue moving forward and one consideration is the fee level. Mr. Howell stated it is his position that the cost of issuance is only an indirect consideration for the Authority in this case as the Authority's focus under the statute is the determination of whether the amount of funds estimated for the repayment of the bonds is sufficient. Mr. Eckstrom replied that the Authority cannot ignore these indirect costs, to which Mr. Howell agreed and further stated the Authority cannot ignore any of the costs as they factor into the availability of funds.

Mr. Eckstrom further asked Mr. Kibler for his assessment of the project's ability to repay the revenue bonds. Mr. Kibler noted that for multifamily housing revenue bond transactions they get after-the-fact information on the transaction and that is reviewed. Mr. Eckstrom asked why that is not done as part of the underwriting. He said an issue should not be approved that cannot demonstrate its ability to repay. Mr. Howell pointed out that the specific question Mr. Eckstrom

asked is addressed in Sections 3.b and 3.c of the resolution. He said pro formas (estimates at this time) for the schedules in Section 3.b were submitted with the agenda packet, but they are not the final numbers. He said final numbers will be upon pricing the bonds after the Authority approval. He said Section 3.c provides for final numbers to be submitted to the Treasurer's Office. Mr. Eckstrom asked where were the pro formas to which Mr. Howell responded that it has been submitted to the Authority. He stated that the final numbers are submitted to the State Treasurer for his review and approval. He said in accordance to the statute the Treasurer is to "determine that the funds estimated to be available for the repayment of the bonds...will be sufficient to provide for the repayment of the principal and interest thereon." Mr. Howell said that has to be done by the State Treasurer. Mr. Eckstrom asked if the difference between the pro forma and the final numbers will be the actual rate to which Mr. Howell said that is correct. He stated that the pro formas were put together a month before submittal and reflected the market place at that time. He said the final cost will reflect the cost right before the time of issuance and the actual interest rate that can be locked into the bonds. Mr. Eckstrom also asked about the repayment cash flow. Mr. Howell responded that that will also lock in the repayment schedule for the bonds. Mr. Eckstrom indicated that he was talking about the revenue stream. Mr. Howell said the revenue stream at that time will be based on construction costs and other sources of funds that will come in to fund the transaction in addition to the bonds. He noted tax credit equity and development equity will also be used to fund the bonds. Mr. Eckstrom noted that there is very little development equity that goes into these bonds and that the equity is in the tax credits. Mr. Howell indicated that there is developer equity in the transaction and equity is also in the value of the land.

In further discussion, Mr. Eckstrom inquired if the pro formas indicated that the revenue stream for the bond repayment would be sufficient. Mr. Howell said that information from the developer indicates that there will be adequate funds to repay the bonds with a good coverage ratio for debt service coverage. Mr. Eckstrom asked if a vacancy rate was built into the transaction to which Mr. Howell said that it was.

Mr. Howell noted that the bonds are going to be privately placed with an institutional investor. Mr. Eckstrom asked why there is an underwriting fee. Mr. Howell replied that in order to get to the investor an underwriter was needed. He said this is a limited offering and there will

not be a general distribution of the bonds other than to a qualified investor under the securities laws. Mr. Eckstrom noted that the underwriter's compensation is almost 2% of the issue and asked why is it so high, given that this is effectively a private placement. Mr. Howell stated that in order to get to the customers they have to go through the underwriter.

Mr. Loftis noted that many of the fees involve tax subsidized credits for the issue. He stated that "goodies" given by the taxpayers get eaten up with higher fees. He said the taxpayer has no idea that this type of transaction is going on and is footing the bill for it. Mr. Eckstrom commented that the resolution puts Mr. Loftis in the driver's seat in that the resolution is being approved contingent upon the conditions of Section 3 of the resolution being met. Mr. Eckstrom noted that Section 3.c of the resolution stated that the "State Treasurer shall find and determine that funds estimated to be available for the repayment...of the bonds...will be sufficient to provide for the payment of principal and interest." He said the Authority would be approving the item based on Mr. Loftis' satisfaction and noted Mr. Loftis is in the driver's seat. Mr. Loftis stated that they will not receive most of that information until the day before closing. Mr. Howell said the information will be provided a week to ten days prior to closing. Mr. Loftis noted that the information will be provided long after the resolution is approved. Mr. Eckstrom stated that contingent approval is being given based on the events that will occur a week to ten days prior to closing. Mr. Loftis commented that they will receive stipulations from the underwriter, but do not have the ability to independently evaluate every part of every deal. Mr. Kibler noted that the Treasurer's Office evaluates all multifamily housing deals. Mr. Eckstrom stated that is not what the Treasurer's Office is being asked to do. Mr. Loftis said that is what they are being asked to do. He said they are being asked to do what an underwriter does without being an underwriter and they have to take the stipulations that are being given to them. Mr. Eckstrom said that the resolution will need to be revised and that the item should be carried over for the resolution to accurately reflect what the Authority expects Mr. Loftis to do. Mr. Loftis indicated that he would not want to see approval of the resolution be held up. Mr. Eckstrom stated that the resolution should be revised if Mr. Loftis cannot do what the resolution requires.

Senator Leatherman said that Mr. Eckstrom has raised some disturbing questions. He said that he would support a motion by Mr. Eckstrom to carry the item over in order to study it.

Upon a motion by Mr. Eckstrom, seconded by Senator Leatherman, the Authority voted

to carry over approval of the item. Governor McMaster, Senator Leatherman, Mr. Eckstrom, and Mr. White voted for the motion. Mr. Loftis voted against the motion.

Executive Director: Economic Development (2017 Ceiling Allocations) (Blue Item #8)

The initial balance of the 2017 state ceiling allocation is \$496,111,900. In accord with Code Section 1-11-520, \$198,444,760 (40% of the total) is designated as the state pool and \$297,667,140 (60% of the total) is designated as the local pool. There is presently a state ceiling balance of \$496,111,900 remaining for 2017. Allocation requests for 2017 totaling \$61,302,000 have been received thus far.

Relating to requests for calendar year 2017 ceiling allocations, the Authority was asked to authorize shifts as necessary between the state pool and the local pool for the remainder of the calendar year.

The recommendation from the Department of Commerce for allocations for this cycle totaled \$61,302,000. The Department of Commerce made the following recommendations for allocation from the local pool:

Greenville Housing Authority, Elements West End (City of Greenville), \$9,302,000;
JEDA HarborChase of Riverwalk (York County), \$27,000,000; and
JEDA, River Park Senior Living (Horry County), \$25,000,000

The SC Code of Laws Section 1-11-540 (B) provides that “requests for state ceiling allocations of more than ten million dollars for a single project are deferred until after July first unless the board... determines in any particular instance that the positive impact upon the State of approving an allocation of an amount greater than ten million dollars is of such significance that approval of the allocation is warranted.” Bond counsel for HarborChase of Riverwalk and River Park Senior Living projects has advised the Authority that positive economic, job creation, and infrastructure impact to the State is of such significance that approval of the allocation request is warranted prior to July 1.

Approval of the recommended requests by the Authority, will leave an unexpended state ceiling balance of \$434,809,900 (state pool - \$198,444,760; local pool - \$236,365,140) to be allocated later in the calendar year.

The Authority:

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

Greenville Housing Authority, Elements West End (City of Greenville),
\$9,302,000;

JEDA HarborChase of Riverwalk (York County), \$27,000,000*; and
JEDA, River Park Senior Living (Horry County), \$25,000,000 *

*The Authority in accord with Code Section 1-11-540 (B) granted approval of these ceiling allocation requests prior to July 1, 2017, because the positive impact upon the State is of such significance that approval of the allocations is warranted prior to July 1.

2) Authorized shifts as necessary between the state pool and the local pool for the remainder of the calendar year.

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

Dept. of Administration, Executive Budget Office: Permanent Improvement Projects (R#1)

The Authority was asked to approve permanent improvement project establishment requests and budget revisions as requested by the Department of Administration, Executive Budget Office. All items had been reviewed favorable by the Joint Bond Review Committee.

Upon a motion by Senator Leatherman, seconded by Mr. White the Authority approved the following permanent improvement project establishment requests and budget revisions. All Authority members with exception of Mr. Loftis voted for the motion. Mr. Loftis voted against the motion.

Establish Project for A&E Design

- (a) Summary 5-2017: JBRC Item 1. (H59) Horry Georgetown Technical College Project: 6128, Construction of Advanced Manufacturing Center - Georgetown
Included in Annual CPIP: Yes – CPIP Priority 1 of 2 in FY17
JBRC/SFAA Phase I Approval: N/A

CHE Recommended Approval: 12/22/16

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<u>Source of Funding Detail</u>	<u>Original Budget Amount</u>	<u>Cumulative Changes Since Original Budget</u>	<u>Current Budget</u>	<u>Current Budget Adjustment Requested</u>	<u>Total Budget After Current Adjustment</u>
Other, College Funds	0.00	0.00	0.00	180,000.00	180,000.00
All Sources	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>180,000.00</u>	<u>180,000.00</u>

Funding Source: \$180,000 Other, College Funds, which are the excess of revenues over expenses accumulated over time for the purpose of funding capital projects and for meeting local matching requirements.

Request: Establish project and budget for \$180,000 (Other, College Funds) to begin pre-design work to construct and equip a 30,000 square foot commercial prefabricated metal building on its Georgetown campus. The building will be used to house the College's Advanced Manufacturing programs which include CNC/Machine Tool, Welding, Mechatronics, Robotics and HVAC. The College has no instructional space to support expanding these programs and desperately requires the additional space to support growing these programs to meet industry demands. The College intends to increase enrollment from roughly 20 students to more than 125 students in these programs with as many as 6 instructors. Graduates from the programs have starting salaries in advance of local averages and are marketable throughout the state and in a variety of industries. The agency estimates that the completed project will cost approximately \$12,000,000 with additional annual operating costs of \$18,750 in year 1 and \$75,000 in years 2 and 3.

- (b) Summary 5-2017: JBRC Item 5. (N04) Department of Corrections
Project: 9737, Security Perimeter Netting System at Level 2 & 3 Correctional Institutions
Included in Annual CPIP: No
JBRC/SFAA Phase I Approval: N/A

CHE Recommended Approval: N/A

<u>Source of Funding Detail</u>	<u>Original Budget Amount</u>	<u>Cumulative Changes Since Original Budget</u>	<u>Current Budget</u>	<u>Current Budget Adjustment Requested</u>	<u>Total Budget After Current Adjustment</u>
Appropriated State, FY16 Carryforward	0.00	0.00	0.00	113,400.00	113,400.00
All Sources	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>113,400.00</u>	<u>113,400.00</u>

Funding Source: \$113,400 Appropriated State, FY16 Carryforward funds.

Request: Establish project and budget for \$113,400 (Appropriated State, FY16 Carryforward funds) to furnish and install a Security Perimeter Netting System around the security fence perimeter of all the Level 3 and most of the Level 2

Correctional Institutions (total of 11 institutions), to assist in the efforts to deter contraband from entering the institutions. The netting system will consist of fifty-feet (50') engineered poles with netting which is made of 1" polyester mesh with a breaking strength of 160lbs. and a 3/8" solid rope border with breaking strength of 5,500 lbs. The netting panels are custom built to meet each correctional institution's requirements. The agency estimates that the completed project will cost approximately \$7,560,000 and additional annual operating costs have not yet been determined.

Bryan Stirling, SC Department of Corrections Director, appeared before the Authority on this item. Mr. Eckstrom asked if telephone contraband was the principal concern or were there other concerns. Mr. Stirling noted that there are other concerns as well to include drugs and green dot cards (cards that are used to exchange money). Mr. Stirling noted that the problem could be solved if they could block cell phone signals because that is how the contraband drops are arranged. He said that the FCC will not allow that to be done and money has to be spent elsewhere to prevent throw overs. Mr. Eckstrom further noted that Mr. Stirling stated that the netting will not prevent cell phones from being thrown over. Mr. Stirling said that if they can block the signal that would help prevent organized contraband. He also stated that since they cannot block the cell phone signals the netting will be used to stop the throw overs of backpack and larger items. He noted that their razor wire is about 12 feet and the netting will give them another 37 to 38 feet of additional coverage.

Establish Construction Budget

- (c) Summary 5-2017: JBRC Item 6. (H09) The Citadel
Project: 9617, Boat Center Redevelopment
Included in Annual CPIP: Yes – CPIP Priority 3 of 4 in FY17
JBRC/SFAA Phase I Approval: August 2016

CHE Recommended Approval: 12/1/16

<u>Source of Funding</u> <u>Detail</u>	<u>Original Budget</u> <u>Amount</u>	<u>Cumulative</u> <u>Changes Since</u> <u>Original Budget</u>	<u>Current Budget</u>	<u>Current Budget</u> <u>Adjustment</u> <u>Requested</u>	<u>Total Budget</u> <u>After Current</u> <u>Adjustment</u>
Other, Gifts	45,000.00	0.00	45,000.00	4,955,000.00	5,000,000.00
All Sources	<u>45,000.00</u>	<u>0.00</u>	<u>45,000.00</u>	<u>4,955,000.00</u>	<u>5,000,000.00</u>

Funding Source: \$5,000,000 Other, Gifts, which are funds provided by a private donor to support this recreational opportunity for the Cadets and the greater Citadel

community.

Request: Increase budget to \$5,000,000 (add \$4,955,000 Other, Gifts) to begin final design and construction work for facilities to support sailing and crew rowing programs at The Citadel. This project was established in August 2016 for Phase I, which is now complete. The 7,759 square foot facility was constructed in 1920. The facility has outlived its useful life expectancy and numerous improvements are required to meet the college's intended purpose and use. The structure has termite damage and the interior finishes have not been updated since the 1970s. The deteriorated condition of the existing facility has a negative impact on the facility's use. Furthermore, the existing marina channel is un-navigable during periods of low tide and cannot support activities such as boating and sailing. Renovation of the existing facility was considered but deemed cost prohibitive to meet flood requirements. The relocation of the marina to another location was also considered but did not provide the same access and amenities required. The scope of work includes engineering services for demolition of existing shop and storage structures; construction design and construction of a new boathouse, classroom/club meeting space and new waterfront floating docks. The existing boathouse is a wooden residential structure that requires extensive rehabilitation to continue use as a meeting space. The existing boat storage and maintenance facilities are non-compliant with construction in a flood prone location. This project would construct new facilities for the waterfront to support sailing and rowing as club activities and provide recreational use by all cadets and staff. The facility will be approximately 8,000 square foot (total conditioned and un-conditioned space). The project will be LEED Silver certified with \$218,370 in estimated cost savings over a 30 year life cycle. The facility will be used by 50 students and up to 5 faculty and 5 staff regularly for instruction and club meetings. Occasionally, there will be an estimated 100+ person occupancy in the meeting/banquet space. When brought for Phase I, the total estimated cost of the project was \$3,000,000. Subsequent to the Phase 1 approval, several issues were found in the overall concept that needed further attention. First, the floating docks presented an immediate concern to dredging operations and required relocation. During the effort to relocate them, structural issues were discovered. After a thorough evaluation by the marine construction consultant and multiple courses of action, it was decided to replace the entire dock system after dredging. By doing the replacement some concerns presented by the original configuration such as boat storage, were actually addressed. Costs for required shoreline improvements to meet OCRM were also incorporated into the work description. The decision to provide boat storage in the new dock configuration eliminated the need for the additional 1,000 SF of covered storage. The pavilion (1,000 SF), was also questioned and finally agreed that a generous screened deck on the clubhouse met the requirement for cadet use. These changes resulted in 8,000 SF in new construction for a boat house and all new construction for the dock facilities. The agency estimates that the

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completed project will cost approximately \$5,000,000 and no additional annual operating costs will result from the project. The agency also reports the projects date for execution of the construction contract is August 2017 and for completion of construction is December 2018.

- (d) Summary 5-2017: JBRC Item 7. (H27) University of South Carolina - Columbia
 Project: 6113, Emergency Generators for Critical Research
 Included in Annual CPIP: Yes – CPIP Priority 5 of 8 in FY17
 JBRC/SFAA Phase I Approval: September 2015

CHE Recommended Approval: 12/13/16

<u>Source of Funding Detail</u>	<u>Original Budget Amount</u>	<u>Cumulative Changes Since Original Budget</u>	<u>Current Budget</u>	<u>Current Budget Adjustment Requested</u>	<u>Total Budget After Current Adjustment</u>
Other, Institutional Funds	22,500.00	0.00	22,500.00	1,477,500.00	1,500,000.00
All Sources	<u>22,500.00</u>	<u>0.00</u>	<u>22,500.00</u>	<u>1,477,500.00</u>	<u>1,500,000.00</u>

Funding Source: \$1,500,000 Other, Institutional Funds, which are funds available to the University from a variety of sources including tuition and fees, sales and service activities, and other miscellaneous sources.

Request: Increase budget to \$1,500,000 (add \$1,477,500 Other, Institutional Funds) to begin the renovation of the main electrical infrastructure at three critical research facilities to receive emergency generators. The Coker Life Sciences building and the Earth & Water Sciences buildings will be renovated to receive a new shared 1500KW generator. The project will integrate the generators with the buildings' electrical systems and include automatic transfer switches for immediate power transfer. The generators will be sized to supply power to the entire building electrical system to allow uninterrupted operation of research, ventilation, lighting, fire alarms, and teaching and administrative activities. An existing 800KW generator at the Coker Life Sciences building will be relocated to the Swearingen Engineering building. The electrical systems will provide 100% automatic emergency backup power with automatic switching. Life safety aspects of maintaining negative pressurization at hoods within labs will be maintained during power loss. Future loss of expensive and critical research due to power loss will be prevented. The 85,845 square foot Earth & Water Sciences and the 185,998 square foot Coker Life Sciences Buildings are utilized by 16,500 students, faculty and staff. The 218,817 square foot Swearingen Engineering Building is utilized by 2,700 students, faculty and staff. The agency estimates that the completed project will cost approximately \$1,500,000 with additional operating costs of \$109,000 in years 1 thru 3. The agency also reports the projects date for execution of the construction contract is May 2017 and for completion of construction is May 2018.

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- (e) Summary 5-2017: JBRC Item 8. (H27) University of South Carolina - Columbia Project: 6115, Close-Hipp Renovation
Included in Annual CPIP: Yes – CPIP Priority 1 of 8 in FY17
JBRC/SFAA Phase I Approval: February 2016

CHE Recommended Approval: 12/13/16

<u>Source of Funding</u> <u>Detail</u>	<u>Original Budget</u> <u>Amount</u>	<u>Cumulative</u> <u>Changes Since</u> <u>Original Budget</u>	<u>Current Budget</u>	<u>Current Budget</u> <u>Adjustment</u> <u>Requested</u>	<u>Total Budget</u> <u>After Current</u> <u>Adjustment</u>
Other, Private Funds	0.00	0.00	0.00	2,200,000.00	2,200,000.00
Other, Institutional Capital Project Funds	220,500.00	0.00	220,500.00	13,579,500.00	13,800,000.00
All Sources	<u>220,500.00</u>	<u>0.00</u>	<u>220,500.00</u>	<u>15,779,500.00</u>	<u>16,000,000.00</u>

Funding Source: \$2,200,000 Other, Private Funds, which are funds donated specifically for this project. \$13,800,000 Other, Institutional Capital Project Funds, which are funds generated from the portion of tuition and fees designated for Bond and Renovation Reserve. These funds pay debt service first and the remainder is used for capital improvements.

Request: Increase budget to \$16,000,000 (add \$15,779,500 Other, Private and Other, Institutional Capital Project Funds) to begin addressing the most serious maintenance needs, improve energy efficiency and enhance life safety to support significant academic and student support space in the Close-Hipp Building. This project will replace critical components of the original mechanical, plumbing and electrical infrastructure that are at the end of their serviceable life and are unable to provide satisfactory and reliable environmental conditions and support. Specifically, mechanical air handling units, domestic plumbing pumps and pipes, and electrical switchgear will be replaced. The project will also focus on life safety by installing an updated fire alarm system, new wet standpipes and a new back-up generator to comply with current building codes. A new sprinkler system will be installed to the extent permitted by the budget. Academic and student support services will occupy the building. Limited interior reconfiguration, primarily funded by private gifts, will be implemented to support the College of Hospitality, Retail and Sports Management and other academic units. Areas in the building where reconfiguration will occur equals approximately 112,500 square feet. The building systems are original to the 41 year old Close Building and the 31 year old Hipp Building. 2000+ students, faculty and staff utilize these buildings. The agency estimates that the completed project will cost approximately \$16,000,000 and no additional annual operating costs will result from the project. The agency also reports the projects date for execution of the construction contract is January 2018 and for completion of construction is August 2019.

Preliminary Land Acquisition

- (f) Summary 5-2017: JBRC Item 14. (H27) University of South Carolina - Columbia
 Project: 6121, SCANA Property Preliminary Land Acquisition
 Included in Annual CPIP: No
 JBRC/SFAA Phase I Approval: N/A

CHE Recommended Approval: 12/13/16

Ref: Supporting document pages

<u>Source of Funding Detail</u>	<u>Original Budget Amount</u>	<u>Cumulative Changes Since Original Budget</u>	<u>Current Budget</u>	<u>Current Budget Adjustment Requested</u>	<u>Total Budget After Current Adjustment</u>
Other, Institutional Capital Project Funds	0.00	0.00	0.00	75,000.00	75,000.00
All Sources	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>75,000.00</u>	<u>75,000.00</u>

Funding Source: \$75,000 Other, Institutional Capital Project Funds, which are generated from the portion of tuition and fees designated for Bond and Renovation Reserve. These funds pay debt service first and the remainder is used for capital improvements.

Request: Establish project and budget for \$75,000 (Other, Institutional Capital Project Funds) to procure investigative studies required to adequately evaluate property prior to purchase. The university is considering the acquisition of 15.4 acres of property currently owned by the SCANA Corporation and approximately .75 acres owned by a private company. The property is bounded by Assembly Street and Flora Drive. The SCANA property is comprised of twelve parcels and the private company owns an additional three parcels comprising the approximate .75 acres. The parcels are nearly contiguous with the USC Athletics Village and lay close to University academic and housing facilities. If the properties were to be acquired, they would accommodate university support functions, student recreation space and potentially future research, academic and manufacturing incubator space. One existing building, a 65,000 square foot 110 year old historic mill, would likely be preserved for these various uses. The parcels contain six buildings comprising approximately 80,000 square feet thus requiring multiple building condition assessments (the deteriorated metal and block industrial buildings would likely be demolished). The previous and existing uses of the parcels suggest that both a Phase I and Phase II environmental assessment will be necessary. An appraisal will analyze the market value of the multiple parcels. The agency estimates that the land acquisition will cost approximately \$10,375,000 with additional operating costs of \$326,057.50 in year 1 and \$508,115 in years 2 and 3.

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

Department of Administration, Real Property Services: College of Charleston Lease Amendment at Harbor Walk (Regular Session Item #2)

The College of Charleston (College) requested approval to amend its current lease with R.E.R. Investments at Harbor Walk located at 360 Concord Street in downtown Charleston to add up to 3,000SF to accommodate the College's expanding Computer Science programs, which are located at Harbor Walk East. The space will serve as a student center and a smart classroom.

The College currently leases 44,104SF at Harbor Walk, 41,000SF of which was approved by the Budget and Control Board at its meeting on September 3, 2013 and 3,104SF by the State Fiscal Accountability Authority on August 25, 2015. As noted in the original agenda item, the lease for the property provides for the option to lease additional space upon the termination of existing leases and renewals, and the College anticipated leasing up to an additional 14,000SF at different points during the term. The landlord has notified the College that additional suites in the Harbor Walk East building will be available in early to mid-2017. The proposed lease amendment will have the same terms and rates as the current lease and run in accordance with the initial seven-year term, which commenced January 1, 2014. Rent for the additional space shall commence on the date which the College takes possession of the space. At the end of the term, the College will work with Real Property Services to resolicit for space.

The current full-service lease rate is \$31.85/SF, which includes all building operating costs. The rate is adjusted each July 1 based on the April CPI-U and capped at a three percent maximum. As such, the total maximum lease cost for this additional space assuming a start date of February 1, 2017 is \$397,688.99 as shown in the chart below:

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Term	SF	Rate/SF	Maximum Rent (Rounded)
2/1/17-6/30/17 150 days	3,000	\$31.85	\$39,267.12
7/1/17-6/30/18	3,000	\$32.81	\$98,430.00
7/1/18-6/30/19	3,000	\$33.79	\$101,370.00
7/1/19-6/30/20	3,000	\$34.80	\$104,400.00
7/1/20-12/31/20 184 days	3,000	\$35.84	\$54,201.86
Total			\$397,668.99

The additional space alters the overall maximum lease payment schedule for the entire lease term as follows:

Term	SF	Rate/SF	Maximum Rent (Rounded)
1/1/2014-12/31/2014	41,000	\$31.50	\$1,291,500.00
1/1/2015-8/15/2015	41,000	\$31.50	\$803,206.85
8/16/2015-12/31/2015	44,104	\$31.50	\$525,260.52
1/1/2016-6/30/2016	44,104	\$31.50	\$692,734.88
7/1/2016-1/31/2017	44,104	\$31.85	\$827,433.33
2/1/2017-6/30/2017	47,104	\$32.81	\$635,129.69
7/1/2017-6/30/2018	47,104	\$33.79	\$1,591,644.16
7/1/2018-6/30/2019	47,104	\$34.80	\$1,639,219.20
7/1/2020-12/31/2020	47,104	\$35.84	\$851,041.52
Total			\$8,857,170.14

The following chart represents comparable lease rates of similar space in the Charleston area:

Location	Tenant	Rent Rate/SF
205 King Street	Vacant	\$ 39.00*
40 Calhoun Street	Vacant	\$ 34.50*
701 East Bay Street	Clemson University	\$ 34.59*
55 Bee Street	MUSC	\$ 35.39**

*Above rates are full-service but subject to base rent and/or operating expense escalations over the term.

**Above rate does not include operating costs.

Additionally, the Colliers 2016 Q3 Research & Forecast Report indicates a current average asking rate of \$35.94/SF in downtown Charleston, and the CBRE Marketview Charleston Office, Q3 2016 Report shows an average rate of \$36.41/SF in the Charleston Business District.

Mr. Eckstrom asked how the College is tracking its emerging needs. He noted that it was four years ago that the base lease was approved for Harbor Walk and now the College is seeking expansion of that lease. He asked if additional concessions can be received from the owner. Stephen Osborne, Executive Vice President for Business Affairs, stated that they are always looking ahead in terms of where their market is going. He said in the area of computer science they have doubled the number of majors in the last three years. He stated that they have gone from 250 computer science majors to 500 and that they have had strong demand for computer science majors from the IT community.

Upon a motion by Mr. Eckstrom, seconded by Senator Leatherman, the Authority, as recommended by the Department of Administration, Real Property Services, approved the proposed lease amendment for the College of Charleston to its current lease with R.E.R. Investments at Harbor Walk located at 360 Concord Street in downtown Charleston to add up to 3,000SF to accommodate the College's expanding Computer Science programs, which are located at Harbor Walk East at Harbor Walk. All Authority members with exception of Mr. Loftis voted for the motion. Mr. Loftis voted against the motion.

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

Division of Procurement Services: Department of Natural Resources and South Carolina Law Enforcement Division, Procurement Exemption for Law Enforcement Programs to Procure Supplies and Equipment for Homeland Security and Emergency Response Activities (Regular Item #3)

Section 11-35-710 authorizes the State Fiscal Accountability Authority (the "Authority") to "exempt specific supplies, services, information technology, or construction from the purchasing procedures" of the South Carolina Consolidated Procurement Code.

Section 1122 National Defense Authorization Act of 1994 established the authority for State and Local governments to purchase law enforcement equipment through federal

procurement channels provided the equipment is used in the performance of counter-drug activities. On June 21, 2000, the Budget and Control Board (Board) acting pursuant to its authority under Section 11-35-710, granted an exemption “to allow all state law enforcement programs to procure law enforcement equipment and supplies for counter drug activities through Federal procurement channels under the United States Government’s State and local Law Enforcement Equipment Procurement Program created by the National Defense Authorization Act of 1994 provided, however that the law enforcement agency must certify that the prices paid under this program are advantageous to the State.”

The Duncan Hunter National Defense Authorization Act for Fiscal Year 2009 amended 10 USC 381 to expand the procurement authority under Section 1122 beyond counter-drug activities to include equipment for homeland security and emergency response activities. The Department of Natural Resources and South Carolina Law Enforcement Division request an amendment to the Counter Drug Program exemption granted by the Board to also allow all state law enforcement programs to procure law enforcement equipment and supplies for homeland security, and emergency response activities through Federal procurement channels under the United States Government’s State and local Law Enforcement Equipment Procurement Program created by the National Defense Authorization Act of 1994.

In order to provide clarity, the Division of Procurement Services recommended that any expansion of the Section 1122 Exemption include definitions of counter-drug, emergency, and homeland security activities and “state law enforcement programs.” The Division also recommended a reporting requirement to compile information on the use of the exemption and an opportunity for the authority to evaluate this information and the benefits of the exemption by providing that the exemption shall sunset in five years unless reauthorized by the authority.

Upon a motion by Mr. Eckstrom, seconded by Senator Leatherman, the Authority, under authority of S.C. Code Section 11-35-710, approved the Department of Natural Resources’ and South Carolina Law Enforcement Division’s request for amendment of the Section 1122 Exemption to allow all state law enforcement programs to procure law enforcement equipment and supplies for counter drug, homeland security, and emergency response activities through Federal procurement channels under the United States Government’s State and Local Law Enforcement Equipment Procurement Program created by the National Defense Authorization

Act of 1994; provided, however, that the law enforcement agency must certify that the prices paid under this program are advantageous to the State. For those items that are on a term contract awarded by the Division of Procurement Services, all state law enforcement programs must comply with the provisions of Section 11-35-310(35) (10% rule) governing term contracts before buying those items through Federal procurement channels.

For purposes of this exemption, the following definitions shall apply:

“State law enforcement programs” are the programs of those agencies expressly charged by their enabling legislation with the enforcement of some or all of the criminal laws of this State and that employ law enforcement officers with a class one commission as defined by Regulation of the Criminal Justice Academy.

“Counter drug activities” are those law enforcement activities intended to disrupt the illegal drug market.

“Emergency response activities” are those activities necessitated by and performed in response to emergency declarations of the Governor or President.

“Homeland Security activities” are those activities associated with a concerted national effort to prevent terrorist attacks within the United States, reduce America's vulnerability to terrorism, and minimize the damage and recover from attacks that do occur.

Agencies shall submit semi-annual reports of their acquisitions under this exemption to the Division of Procurement Services. This exemption shall sunset in five years unless reauthorized by the Authority.

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

Future Meeting

Upon a motion by Mr. White, seconded by Senator Leatherman, the Authority agreed to meet at 9:30 a.m. on Thursday, March 9, 2017, in Room 252, Edgar A. Brown Building.

Adjournment

The meeting adjourned at 10:20 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 Authority Secretary's office in the Wade Hampton Building, and in the lobbies of the Wade Hampton Building and the Edgar A. Brown Building at 3:15 p.m. on Friday, January 27, 2017.]