

MINUTES OF STATE FISCAL ACCOUNTABILITY AUTHORITY MEETING

March 9, 2017 – 9:30 A. M.

The State Fiscal Accountability Authority (Authority) met at 9:30 a.m. on Thursday, March 9, 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 Budget Analyst Blythe Littlefield; Authority Secretary Delbert H. Singleton, Jr., and other State Fiscal Accountability Authority staff.

Adoption of Agenda for State Fiscal Accountability Authority

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

Minutes of Previous Meeting

Upon a motion by Senator Leatherman, seconded by Mr. Eckstrom, the Authority approved the minutes of the January 31, 2017, State Fiscal Accountability Authority meeting; acting as the State Educational Facilities Authority, approved the minutes of the January 31, 2017, Authority meeting; and acting as the Tobacco Settlement Revenue Management Authority, approved the minutes of the January 31, 2017, Authority meeting.

Blue Agenda

Upon a motion by Senator Leatherman, seconded by Mr. Eckstrom, the Authority approved blue agenda items #1, #3, and #4, as noted herein.

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

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approved blue agenda item #2, as noted herein.

Upon a motion by Senator Leatherman, seconded by Mr. Eckstrom, the Authority approved blue agenda item #5, as noted herein. Governor McMaster, Mr. Eckstrom, Senator Leatherman, and Mr. White voted for the motion. Mr. Loftis abstained from voting on 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:

Description of Issue	Agency/Institution (Borrower)	Borrower’s Counsel	Issuer’s Counsel
\$47,500,000 Economic Development Bonds	SC Episcopal at Still Hopes Conduit: JEDA	Haynsworth Sinkler Boyd	McNair Law Firm, P. A.
\$ 68,265,000 Economic Development Revenue & Refunding Bonds	Upstate Senior Living dba The Woodlands at Furman Conduit: JEDA	Haynsworth Sinkler Boyd	Howell Linkous and Nettles, LLC
\$ 6,000,000 Hospital Facilities Refunding and Improvement Revenue Bonds (AAMC Project)	Abbeville Area Medical Center Conduit: Abbeville County	Pope Flynn, LLC	Pruitt Law Firm

OTHER REVENUE ISSUES:

Description of Issue	Agency/Institution	Approved Bond Counsel
\$7,250,000 Higher Education Refunding Revenue Bonds	Coastal Carolina University	Pope Flynn, LLC

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

State Treasurer’s Office: The South Carolina Attorney General’s Opinion regarding S. C. Code Ann. §9-1-1085 and PEBA’s Unlawful Use of an “Open Amortization” Schedule in Connection with the S. C. Retirement System (Blue Agenda Item #2)

The South Carolina Attorney General’s Office issued and published a formal opinion on January 10, 2017, interpreting the dictates of S. C. Code Ann. §9-1-1085 as it relates to PEBA and the South Carolina Retirement Systems. The Authority was asked to receive the Attorney General’s Opinion as information along with the State Treasurer’s Position Statement.

Mr. Loftis noted that the Attorney General has issued an opinion (concerning the calculation of a thirty year amortization schedule for the unfunded liabilities of the South Carolina Retirement Systems) that should be placed into the record along with other documents and that PEBA has issued a non-legal response. He commented that as fiduciaries the Authority members have a duty to act and investigate. He said that has not happened. He suggested that the Authority should ask the SC Supreme Court for a declaratory judgement on the issues involved in the opinion. He noted that a bill in the legislature concerning this matter does not reference open or closed amortization and said the bill should at least reference closed amortization.

As co-trustees of the South Carolina Retirement Systems, the Authority received the Attorney General’s Opinion and the State Treasurer’s Position Statement only as information.

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

Department of Administration, Real Property Services: Easements (Blue Agenda Item #3)

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

- (a) County Location: Horry
- From: Horry-Georgetown Technical College
- To: South Carolina Public Service Authority (Santee Cooper)
- Consideration: \$5
- Description/Purpose: To grant a permanent 0.07 acre easement for the purpose of constructing, extending, inspecting, operating, replacing, relocating, allocating, repairing and maintaining electric lines and associated facilities upon property of Horry-Georgetown

Technical College to serve the new Advanced Manufacturing Center. The easement is being sought by the College for the benefit of the property.

- (b) County Location: Charleston
From: Department of Administration
To: AT&T South Carolina
Consideration: \$746
Description/Purpose: To grant a 1.23 acre easement for the installation, operation and maintenance of a telecommunication conduit beneath Sand Creek to accommodate SCDOT's SC-174 Bridge Replacement Project. The existing conduit is attached to the bridge and must be relocated before SCDOT can demolish the existing bridge. The term of the easement will be fifty (50) years. Consideration is \$500 plus \$200 per acre for easements across navigable waterways and submerged lands.

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 Conveyances (B #4)

The Authority approved the following real property conveyances as recommended by the Department of Administration, Real Property Services:

- (a) **Controlling Agency:** **Medical University of South Carolina**
Acreage: 3.27 ± acres and a 180,449 square foot 10-story office building with a 641 space structured parking garage (Harborview Office Tower)
Location: 19 Hagood Avenue, Charleston
County: Charleston
Purpose: To dispose of surplus real property.
Price/Transferred To: Not less than appraised value/To be determined
Disposition of Proceeds: To be retained by MUSC pursuant to Proviso 93.23.
- (b) **Controlling Agency:** **Medical University of South Carolina**
Acreage: 2.10 ± acres and a 34,581 square foot office building
Location: 295 Calhoun Street, Charleston
County: Charleston
Purpose: To dispose of surplus real property.
Price/Transferred To: Not less than appraised value/To be determined

Disposition of Proceeds: To be retained by MUSC pursuant to Proviso 93.23.

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 Authority approved the following proposals to issue revenue bonds:

- a. Issuing Authority: Abbeville County
- Amount of Issue: Not Exceeding \$6,000,000 Hospital Facilities Refunding Revenue Bonds (\$6,000,000 refunding involved)
- Allocation Needed: -0-
- Name of Project: Refunding of Series 2014 Bonds (Abbeville Area Medical Center)
- Employment Impact: none
- Project Description: the refunding of the outstanding principal amount of the originally issued \$7,880,000 Hospital Facilities Refunding Revenue Bond (Abbeville Area Medical Center Project), Series 2014 of Abbeville County
- Bond Counsel: Josiah C. T. Lucas, Pope Flynn, LLC
(Exhibit 5)

Mr. Eckstrom asked if a ceiling allocation was approved by the Budget and Control Board in October 2015 when Abbeville County and the hospital appeared before the Board for the issuance of \$6 million in Hospital Facilities Revenue Bonds. Mr. Singleton advised that this was one of those projects that did not need ceiling allocation. Joe Lucas, bond counsel for the project, appeared before the Authority. Mr. Lucas stated that ceiling allocation was not required for this transaction. He stated that when ceiling allocation is required for a project it is requested.

Mr. Eckstrom further asked if regulations were in place concerning the Authority's responsibility for approving multifamily housing projects like City of Greenville's item 5(d). Mr. Singleton said that regulation 19-102.01 is applicable to the item.

Mr. Eckstrom stated that in October 2015 the Budget and Control Board approved the issuance and the hospital decided to go another route. Mr. Lucas said that was not correct. He said the Board gave approval for \$6 million for new money financing for a medical office and that this issue is a request for an additional \$6 million to refund the existing debt incurred in

building the existing hospital. He said this issue includes only the refunding.

- b. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: N/E \$47,500,000 Residential Care Facilities Revenue Bonds
Allocation Needed: -0-
Name of Project: South Carolina Episcopal Home at Still Hopes
Employment Impact: maintain permanent employment (both direct and indirect) for approximately 279 people and provide additional employment for 12 when the project is placed in full operation
Project Description: (i) defray the cost of constructing and equipping a new 48 bed skilled nursing facility and a 22 apartment community residential care facilities, and (ii) pay costs of issuance of the bonds
Note: *private sale or underwriting*
Bond Counsel: Kathleen Crum McKinney, Haynsworth Sinkler Boyd, P.A.
(Exhibit 6)

- c. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: \$68,265,000 Economic Development Revenue Bonds
(\$68,265,000 refunding involved)
Allocation Needed: -0-
Name of Project: Upstate Senior Living, Inc. d/b/a/ The Woodlands at Furman
Employment Impact: 186 (maintain – permanent)
Project Description: the current refunding of certain obligations issued by Jobs-Economic Development Authority Health and the Institution which obligations were issued to finance and refinance the cost of the acquisition, construction, furnishing, and equipping of the institution's continuing care retirement community in Greenville, known as the Woodlands at Furman, and the funding of routine capital expenditures on the community.
Note: *negotiated private sale*
Bond Counsel: F. Mitchell Johnson, Jr., Haynsworth Sinkler Boyd, P.A.
(Exhibit 7)

Mr. Loftis noted that the fees for these JEDA items (Blue #5 (b) and (c)) are extremely high and unreasonable. He noted that there is a bill in the legislature that will remove the responsibility of approving JEDA items from the Authority. He said his understanding is that this approval process is being removed from the Authority because of competitive and timeliness issues. He noted, however, that the responsibility is being given to a group that meets as regularly as the Authority does. He said that he has found no information about the issue of competitiveness. Mr. Loftis stated that he is trying to understand why something as important as the debt for JEDA is being taken away from the group that manages the debt for the State and is

being given to an entity that does not. He asked for an explanation of how the bill will affect the Authority.

Harry Huntley, JEDA's director, appeared before the Authority. He stated the bill corrects a prior amendment by making it clear that interest rates are not subject to approval of the Authority. Discussion was also had between Mr. Eckstrom and Mr. Huntley concerning the burden that would be placed on borrowers if they had to come to the Authority to have interest rates approved.

- d. Amount of Issue: \$9,302,000 Multifamily Housing Revenue Bonds
- Allocation Needed: \$9,302,000 (approved on 1/31/17)
- 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 8)

Sam Howell, bond counsel for the City of Greenville Housing Authority, appeared before the Authority on this matter. Mr. Eckstrom pointed out that the resolution for approval had been updated from the last meeting and refers to compliance with the regulations that exist. Mr. Howell indicated that is correct. Mr. Eckstrom noted that the bond documents indicate that the State has no obligation to repay the debt. He said the Authority's interest is in limiting, to the extent possible, an investor coming against the State as a defendant in the event of a default. He said the borrower in this instance is different from the borrower in the Abbeville issue. He said that borrower is a public entity that has a long history of operations unlike the borrower in this issue. He said the borrower in this case has been put together just to take on this project. Mr. Eckstrom pointed out that one of the requirements of the regulation is that the investors are provided three years of audited financial information on a project sponsor's financial capabilities. Mr. Howell stated that is only in the case of a public offering of bonds. Mr. Eckstrom said in this case there is one institutional investor of the bonds. He noted the regulation requires the investor to provide certification that the investor is satisfied with financial information provided to them concerning the financial condition of the developer and that it be part of the package. Mr. Howell said that the certification does not have to be part of the

package, but that it is given as a condition of the bonds being issued.

Mr. Eckstrom noted that the regulation also requires that the resolution be provided to the State Auditor for his review to advise the Authority if the projected financials are reasonable. He noted that the regulation also requires the Attorney General's review and for the Attorney General to provide a letter to the Authority stating that the documents are complete. Mr. Howell stated that all necessary documents have been provided to the Authority's Executive Director's office. Mr. Gillespie stated that his office had received letters from the State Auditor and the Attorney General in compliance with the regulation.

Office of the State Auditor: 2016 Audit-CAFR (Regular Session Item #1)

The State Auditor, George Kennedy, appeared before the Authority to report on the results of the 2016 CAFR Audit. Bill Early, a partner at Clifton-Larson-Allen, appeared with Mr. Kennedy. Mr. Kennedy spoke briefly to the Authority to inform that it is important for them to hear results of the audit of the CAFR. Because of time constraints the Authority members asked Mr. Kennedy to come back at a later date to provide more information concerning the audit.

Upon a motion by Senator Leatherman, seconded by Mr. Eckstrom, the Authority voted receive the State Auditor's report on the 2016 CAFR Audit as information only.

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

Dept. of Administration, Executive Budget Office: Permanent Improvement Projects (R#2)

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 favorably by the Joint Bond Review Committee.

Upon a motion by Senator Leatherman, seconded by Mr. Eckstrom, the Authority approved the following permanent improvement project establishment requests and budget revisions.

Establish Project for A&E Design

- (a) Summary 6-2017: JBRC Item 1. (H17) Coastal Carolina University

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Project: 9613, Ingle Residence Hall Renovation
 Included in Annual CPIP: Yes – CPIP Priority 1 of 3 in FY17
 JBRC/SFAA Phase I Approval: N/A

CHE Recommended Approval: 1/6/17

<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, Student Housing Revenue	0.00	0.00	0.00	57,000.00	57,000.00
All Sources	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>57,000.00</u>	<u>57,000.00</u>

Funding Source: \$57,000 Other, Student Housing Revenue, which are funds generated through housing rates charged only to students who are living in campus residence halls. The student housing rate is based on the number of bedrooms per suite or apartment, and location of the residence hall, which is approved each year by the Board of Trustees. The University did not increase housing rates on any level in FY17.

Request: Establish project and budget for \$57,000 (Other, Student Housing Revenue) to begin design work for the renovation of Ingle Residence Hall. This project encompasses upgrades to the HVAC units, electrical, IT, and fire sprinkler systems, mass notification system, as well as, some interior refurbishments. The HVAC units will be converted from a two-pipe system to a four-pipe system. This will allow the temperatures to be balanced in the rooms and common areas throughout the year. Electrical upgrades will provide for improved bathroom exhaust fans. Ingle hall was constructed in 2000, is 80,536 square feet, houses approximately 400 students and contains four administrative offices. There is one professional staff apartment as well. Due to normal wear and tear, the University Repair and Maintenance schedule dictates that the these structural repairs are needed to assure that this building maintains a safe and healthy living environment for students and working environment for staff. The agency estimates that the completed project will cost approximately \$3,800,000 and no additional annual operating costs will result from the project.

- (b) Summary 6-2017: JBRC Item 6. (N04) Department of Corrections
 Project: 9738, Security Upgrades to Housing Unit Inmate Cells at Level 3 Correctional Institutions
 Included in Annual CPIP: Yes – CPIP Priority 1 of 7 in FY17
 JBRC/SFAA Phase I Approval: N/A
 CHE Recommended Approval: N/A

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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>
Appropriated State, FY16 Carryforward Funds	0.00	0.00	0.00	15,000.00	15,000.00
All Sources	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>15,000.00</u>	<u>15,000.00</u>

Funding Source: \$15,000 Appropriated State, FY16 Carryforward Funds, which are from general fund personnel and fringe lines of the last two budget years.

Request: Establish project and budget for \$15,000 (Appropriated State, FY16 Carryforward Funds) to begin pre-design work to furnish and install several Security Upgrades to Housing Unit Inmate Cells at Level 3 Correctional Institutions. These renovations and upgrades will consist of security window frames and glazing, opaque glazing, food flaps, cuff ports, etc. This scope of work will provide additional security to the inmate cells, housing units and correctional facility, but will also directly impact SCDC's efforts to deter contraband from entering the institutions. The agency estimates that the completed project will cost approximately \$1,000,000 and no additional annual operating costs will result from the project.

- (c) Summary 6-2017: JBRC Item 7. (U12) Department of Transportation
Project: 9742, SCDOT Headquarters Building Guaranteed Energy Savings Contract
Included in Annual CIP: 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>
Other, State Highway Fund	0.00	0.00	0.00	60,000.00	60,000.00
All Sources	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>60,000.00</u>	<u>60,000.00</u>

Funding Source: \$60,000 Other, State Highway Fund, which is derived from the state motor fuel user fee.

Request: Establish project and budget for \$60,000 (Other, State Highway Fund) to establish Phase I of a Guaranteed Energy Savings Contract (GES) for the Headquarters Building located at 955 Park St. in Columbia. The contracting method is in compliance with the state procurement process for energy performance contracting. The cost of the energy performance measures and design services for the GES and the Phase I services are to be paid from the savings realized from reduced energy costs over a 12-14 year contract term.

Financing will be provided by the Master Lease Program. The Phase I pre-design services will further define the energy measures, their guaranteed cost, and financing terms for a Guaranteed Energy Savings Contract. If SCDOT does not enter into a GESC, the cost of the pre-design services will be paid from the stipend. Phase I costs will be included in the final contract costs and funded by savings. If a GESC is executed, no funds will be paid by SCDOT as they will be included in the contract. Energy measurers include lighting upgrades, water conservation upgrades, HVAC airside upgrades, HVAC boiler plant, HVAC dynamic air filtration, HVAC chilled water plant, VAV retrofits with DDC controls, replace existing AHU vane axial fans, and air side and water side balancing. The Division of General Services of the Department of Administration determined, via an engineering study, that SCDOT leaving the state energy plant should not have any negative impact to General Services or the other buildings on the Statehouse grounds. The 38 year old Headquarters Building is 228,000 square feet with an 802 space parking garage. All administrative functions of SCDOT are housed in the Headquarters Building which is utilized by 900 persons. The agency estimates that the completed project will be totally funded through the State Treasurer’s Department Master Lease program. The Lease will, in turn, be paid with funds realized through operating energy savings guaranteed by the Energy Service Company (ESCO). Additional annual operating cost savings of \$240,000 in years 1 thru 3 are expected.

Establish Construction Budget

- (d) Summary 6-2017: JBRC Item 8. (H12) Clemson University
Project: 9925, Clemson House Demolition
Included in Annual CPIP: Yes – CPIP Priority 4 of 6 in FY17
JBRC/SFAA Phase I Approval: September 2016

CHE Recommended Approval: 2/21/2017

<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, Maintenance & Stewardship Funds	95,000.00	0.00	95,000.00	1,805,000.00	1,900,000.00
Other, Housing Improvement Funds	0.00	0.00	0.00	1,900,000.00	1,900,000.00
All Sources	<u>95,000.00</u>	<u>0.00</u>	<u>95,000.00</u>	<u>3,705,000.00</u>	<u>3,800,000.00</u>

Funding Source: \$1,900,000 Other, Maintenance & Stewardship funds, which are tuition, matriculation, and other debt retirement and plant transfers revenues that are

not formally obligated to fund debt service in the current period. \$1,900,000 Other, Housing Improvement Funds, which are from bond covenant-required transfers from Housing Operations to allow for the maintenance and replacement of capital assets funded by bond issues.

Request: Increase budget to \$3,800,000 (add \$3,705,000 Other, Maintenance & Stewardship and Other, Housing Improvement Funds) to establish the Phase II construction budget to demolish the approximately 135,000 square foot Clemson House located adjacent to the Douthit Hills Student Community Construction at Clemson University. The 66 year old building was constructed in 1950 and has been the most expensive housing facility to operate. It is no longer in use by University Housing and Dining. The Clemson House does not have “good bones” worthy of reinvestment or renovation. Originally constructed as a hotel, the quality of construction and materials used are not institutional quality. Renovation of the building would require replacing the building’s exterior skin, a complete seismic retrofit, and removing the slab to create more space, resulting in only 50% space utilization. The cost to renovate the facility for use as classroom, meeting, and office or conference space would exceed the cost to construct a new building on the site. The existing facility is located on a prominent site on campus which merits a building of approximately 200,000 square feet. Renovating the existing building would result in inefficient space and leave prime University land underutilized. After demolition the Clemson House site will be developed as green space with some parking. With Douthit Hills opening in 2018 and the Business School opening in 2019, both immediately adjacent to the Clemson House site, the additional area will be put to good use. The agency estimates that the completed project will cost approximately \$3,800,000 with additional annual cost savings of \$936,000 in year 1, \$954,720 in year 2, and \$973,814 in year 3. The agency also reports the projects date for execution of the construction contract is May 2017 and for completion of construction is January 2018.

Phase II Increase

- (e) Summary 6-2017: JBRC Item 9. (J12) Department of Mental Health
Project: 9732, Harris Hospital Utility Building Renovations
Included in Annual CPIP: Yes – CPIP Priority 6 of 8 in FY15
JBRC/SFAA Phase II Approval: June 2015

CHE Recommended Approval: N/A

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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, Capital Improvement & Maintenance Fund	15,000.00	931,000.00	946,000.00	224,900.00	1,170,900.00
All Sources	<u>15,000.00</u>	<u>931,000.00</u>	<u>946,000.00</u>	<u>224,900.00</u>	<u>1,170,900.00</u>

Funding Source: \$1,170,900 Other, Capital Improvement & Maintenance Fund which is derived from irregular one time funds from legal settlements, operating revenue (Medicaid fee-for-service earned revenue), sale of land, and interest earned on the Deferred Maintenance Fund account.

Request: Increase budget to \$1,170,900 (add \$224,900 Other, Capital Improvement & Maintenance Fund) to add funds to provide sufficient design and construction dollars to allow waterproofing of the entire rear wall and ensure a long term solution is put in place to re-mediate the leaking in that area. This project is to repair/replace the Harris Hospital Utility/Support Building roof and wall waterproofing. The building is remotely located from the hospital complex, with the entire roof of the building being completely underground. The roof of the building is comprised of precast concrete framing, poured concrete deck covered with a membrane roofing system and then covered with approximately 18 inches of soil. The roofing system is leaking and allows water to enter the facility, causing concrete spalling and allowing small pieces of concrete to fall from the concrete roof framing and deck. The contract has been awarded to replace the roof to re-mediate the immediate hazard and will re-grade the surrounding area to leave it uncovered in the future. The entire rear wall is also underground. The current scope of the work awarded will replace the waterproofing to a level of six feet. The desired solution is to expose the entire rear wall, replace the waterproofing system and install a French drain system at the foundation level. The facilities in this 13,016 square foot building are 29 years old. The building houses the Central plant mechanical equipment, Maintenance, Transportation, Materials Management and Laundry Operations and is utilized by 16 people. The entire population of the hospital including over 500 staff and clients are affected by the support functions housed here. The agency reports the total projected cost of this project is \$1,170,900 and no additional operating costs will result from the project. The agency reports the date of execution of the construction contract was December 2016 and for the completion of construction is December 2017.

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

Exhibit 10.

Department of Commerce, Division of Public Railways d/b/a Palmetto Railways: Hampton and Branchville Railroad Acquisition and Loan (Regular Item #3)

Hampton & Branchville Railroad Company agreed to sell the assets of the Hampton & Branchville Railroad (the “Railroad”) located in Hampton County and Colleton County, South Carolina to Colleton County Intermodal Corporation (“CCIC”), a South Carolina nonprofit corporation in a \$7.55 million transaction to be financed by bonds issued by or on the credit of Colleton County (the “County”). Colleton County and Palmetto Railways are partnering in an economic development initiative to restore railroad service to western Colleton County and Hampton County. The nonprofit corporation was established because the County is unable to acquire and operate the Railroad for several reasons: it is prohibited under State law from owning a railroad without first conducting a referendum, it does not meet the Surface Transportation Board’s definition of a common carrier, and it has no experience in operating a rail line or staff to do so. The assets would continue to be operated as a railroad by Palmetto Railways.

Palmetto Railways would take possession of the assets, maintain the assets, and operate the Railroad. The Railroad originates in Hampton, SC at its connection with CSX Corp. and then runs from Hampton, SC to Canadys, SC. The Railroad also serves the former South Carolina Electric and Gas Company power generating station in Canadys, which the partners in the initiative are marketing for economic development in addition to other properties along the rail line. Preserving the Railroad and having rail service available to properties adjacent to the rail line allows the County and State to be more competitive in attracting large scale projects and investments. The primary assets to be acquired include: 45.77 miles of rail line, 3 surplus land parcels totaling 32 acres, and 10 buildings. Once the County issues revenue bonds (“Bonds”) in its own name in the approximate par amount of \$7,555,000, Colleton County Intermodal Corporation (“CCIC”), a South Carolina non-profit corporation created by the County, will lend the proceeds derived from the sale of the bonds to Palmetto Railways via a non-recourse loan. The proceeds of the loan will then be used to purchase the Railroad, fund a debt service reserve fund for the bonds and pay closing costs and expenses associated with the issuance of the bonds and the acquisition of the railroad.

Debt payments to CCIC for the Bonds will be made by the Palmetto Railways solely from the revenue generated from the operation of the Railroad. Palmetto Railways shall pay to CCIC, on an annual basis, (i) ten percent of all gross revenues received by Palmetto Railways in connection with the operation or use of or otherwise in connection with the Railroad plus (ii) twenty-five percent of the net income generated from the ownership, operation and use of the Railroad. CCIC will use 100% of the funds received from Palmetto Railways to cover its debt service payments on the Bonds. Under the terms of this agreement, the County will satisfy any remaining annual debt payments on the Bonds. After five years, Palmetto Railways has the right to relinquish its rights to the Railroad.

Upon a motion by Senator Leatherman, seconded by Mr. White, the Authority, as recommended by the Department of Commerce, Division of Public Railways d/b/a/ Palmetto Railways, approved the acquisition of the assets of the Hampton & Branchville Railroad in accordance with the Asset Purchase and Sale Agreement and the financing of the acquisition pursuant to the Loan and Security Agreement. Governor McMaster recused himself from voting on the matter because of a family relationship.

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

Coastal Carolina University: Not Exceeding \$7,250,000 Higher Education Refunding Revenue Bonds, Series 2017, of Coastal Carolina University (Regular Item #4)

The Authority was asked to adopt a resolution making provision for the issuance and sale of not exceeding \$7,250,000 of Higher Education Refunding Revenue Bonds, Series 2017, of Coastal Carolina University Refunding Revenue Bonds.

The proceeds of the bonds will be used to (a) defray the costs of refunding the Refunded Bonds; (b) fund the 2017 Debt Service Reserve Fund Requirement, if any; and (c) pay certain costs and expenses related to the issuance of the Series 2017 Bonds.

Upon a motion by Senator Leatherman, seconded by Mr. White, the Authority adopted a resolution making provision for the issuance and sale of not exceeding \$7,250,000 Higher Education Refunding Revenue Bonds, Series 2017, of Coastal Carolina University.

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

Future Meeting

Upon a motion by Mr. White, seconded by Senator Leatherman, the Authority agreed to meet at 9:30 a.m. on Tuesday, May 2, 2017, in Room 252, Edgar A. Brown Building.

Adjournment

The meeting adjourned at 10:15 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 9:15 a.m. on Wednesday, March 8, 2017.]